

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
) 701-TA-466 and 731-TA-1162
WIRE DECKING FROM CHINA) (Preliminary)

Pages: 1 through 206

Place: Washington, D.C.

Date: June 26, 2009

HERITAGE REPORTING CORPORATION

Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888
contracts@hrccourtreporters.com

THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
) 701-TA-466 and 731-TA-1162
 WIRE DECKING FROM CHINA) (Preliminary)

Friday,
 June 26, 2009

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:32 a.m., at the United States International Trade Commission, JOHN ASCIENZO, Acting Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

JOHN ASCIENZO, ACTING DIRECTOR OF INVESTIGATIONS
 JAMES McCLURE, SUPERVISORY INVESTIGATOR
 CHRIS CASSISE, INVESTIGATOR
 CHARLES ST. CHARLES, ATTORNEY/ADVISOR
 CRAIG THOMSEN, ECONOMIST
 GERALD HOUCK, INDUSTRY ANALYST

APPEARANCES: (Cont'd.)

In Support of the Imposition of Antidumping and
Countervailing Duties:

On behalf of AWP Industries, Inc., ITC Manufacturing,
Inc., J&L Wire Cloth, Inc., Nashville Wire Products
Mfg. Co. and Wireway/Husky Corp.:

CRAIG CHAMBERLIN, President & CEO, AWP Industries,
Inc.

ROB ROLLINS, Division Manager, Material Handling
Division, Nashville Wire Products Mfg. Co.

TODD MACK, General Manager, ITC Manufacturing,
Inc.

JIM RUDOLPH, General Sales Manager, J&L Wire
Cloth, Inc.

RON YOUNG, President, Wireway/Husky Corp.

JOHN CALDWELL, President, ITC Manufacturing, Inc.

TIM SELHORST, President, American Spring Wire
Corp.

KARA OBERLANDER, General Manager, AWP Industries,
Inc.

STEVE WAGNER, Division Operations Manager,
Material Handling Division, Nashville Wire
Products Mfg. Co.

GINA BECK, Economic Consultant, Georgetown
Economic Services

KATHLEEN W. CANNON, Esquire

ALAN LUBERDA, Esquire

Kelley, Drye & Warren, LLP

Washington, D.C.

On behalf of Nucor Wire Products, Inc.:

MARK BRANDON, Vice President and General Manager,
Nucor Wire Products, Inc.

ALAN PRICE, Esquire

Wiley Rein, LLP

Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Imposition of Antidumping and
Countervailing Duties:

On behalf of Atlas Material Handling, Inc. and Dalian
Eastfound Metal Products Co., Ltd.:

VIC KEDAITIS, Vice President and General Manager,
Atlas Material Handling, Inc.
KERRY B. WOLFE, General Counsel and Vice President
for Strategic Development, The Atlas Companies
SONG BIN, President, Dalian Eastfound Metal
Products Co., Ltd.

LIZBETH R. LEVINSON, Esquire
RONALD M. WISLA, Esquire
Garvey Schubert Barer
Washington, D.C.

I N D E X

	PAGE
OPENING STATEMENT OF KATHLEEN W. CANNON, ESQUIRE, KELLEY, DRYE & WARREN, LLP	7
OPEN STATEMENT OF LIZBETH R. LEVINSON, ESQUIRE, GARVEY SCHUBERT BARER	10
STATEMENT OF KATHLEEN W. CANNON, ESQUIRE, KELLEY, DRYE & WARREN, LLP	14
STATEMENT OF ROB ROLLINS, DIVISION MANAGER, MATERIAL HANDLING DIVISION, NASHVILLE WIRE PRODUCTS MFG. CO.	16
STATEMENT OF TODD MACK, GENERAL MANAGER, ITC MANUFACTURING, INC.	26
STATEMENT OF CRAIG CHAMBERLIN, PRESIDENT & CEO, AWP INDUSTRIES, INC.	30
STATEMENT OF JIM RUDOLPH, GENERAL SALES MANAGER, J&L WIRE CLOTH, INC.	36
STATEMENT OF RON YOUNG, PRESIDENT, WIREWAY/HUSKY CORP.	40
STATEMENT OF GINA BECK, ECONOMIC CONSULTANT, GEORGETOWN ECONOMIC SERVICES	43
STATEMENT OF ALAN PRICE, ESQUIRE, WILEY REIN, LLP	48
STATEMENT OF MARK BRANDON, VICE PRESIDENT AND GENERAL MANAGER, NUCOR WIRE PRODUCTS, INC.	48
STATEMENT OF JOHN CALDWELL, PRESIDENT, ITC MANUFACTURING, INC.	55
STATEMENT OF STEVE WAGNER, DIVISION OPERATIONS MANAGER, MATERIAL HANDLING DIVISION, NASHVILLE WIRE PRODUCTS MFG. CO.	56
STATEMENT OF TIM SELHORST, PRESIDENT, AMERICAN SPRING WIRE CORP.	59

I N D E X

	PAGE
STATEMENT OF ALAN LUBERDA, ESQUIRE, KELLEY, DRYE & WARREN, LLP	67
STATEMENT OF LIZBETH R. LEVINSON, ESQUIRE, GARVEY SCHUBERT BARER	120
STATEMENT OF VIC KEDAITIS, VICE PRESIDENT AND GENERAL MANAGER, ATLAS MATERIAL HANDLING, INC.	121
STATEMENT OF KERRY B. WOLFE, GENERAL COUNSEL AND VICE PRESIDENT FOR STRATEGIC DEVELOPMENT, THE ATLAS COMPANIES	129
STATEMENT OF SONG BIN, PRESIDENT, DALIAN EASTFOUND METAL PRODUCTS CO., LTD.	134
STATEMENT OF RONALD M. WISLA, ESQUIRE GARVEY SCHUBERT BARER	140
CLOSING STATEMENT OF KATHLEEN W. CANNON, ESQUIRE, KELLEY, DRYE & WARREN, LLP	196
CLOSING STATEMENT OF LIZBETH R. LEVINSON, ESQUIRE, GARVEY SCHUBERT BARER	200

P R O C E E D I N G S

(9:32 a.m.)

MR. ASCIENZO: Good morning. Welcome to the United States International Trade Commission's conference in connection with the preliminary phase of countervailing duty investigation No. 701-TA-466 and antidumping duty investigation No. 731-TA-1162 concerning imports of Wire Decking From China.

My name is John Ascienzo and I am the Commission's Acting Director of Investigations, and I will preside at this conference. Among those present from the Commission staff from my far right are Jim McClure, the supervisory investigator; Chris Cassise, the investigator; Charles St. Charles, the attorney/advisor; Craig Thomsen, the economist; and Gerry Houck, the industry analyst.

Justin Jee, the auditor, is out of town and unable to be here today. He will be checking the transcript very carefully.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your

1 presentation.

2 Are there any questions?

3 (No response.)

4 MR. ASCIENZO: If not, welcome, Ms. Cannon,
5 and please proceed with your opening statement.

6 MS. CANNON: Good morning, Mr. Ascienzo and
7 members of the Commission staff. I am Kathleen Cannon
8 of Kelley, Drye & Warren. I represent Petitioners,
9 the domestic producers of wire decking in this case.

10 We bring to you today a new case with a new
11 product, but a familiar story. The product, wire
12 decking, is not one that has been subject to a
13 Commission investigation before, although I believe
14 you will find it similar in a number of respects to
15 other steel and wire products.

16 Our story, the U.S. industry has been
17 injured by large volumes of dumped and subsidized
18 imports from China that undercut U.S. prices
19 significantly, is in many respects one you have heard
20 before.

21 In terms of the product, wire mesh decking
22 is used in commercial and industrial storage systems
23 as an accessory product to a pallet rack. As our
24 industry witnesses will explain, it is produced from
25 carbon or alloy steel wire that is welded into a

1 rectangular mesh pattern and designed to provide a
2 high-strength storage platform.

3 Although it may be sold in various types,
4 gauges and dimensions, all wire decking has the same
5 use, and all decking producers, whether domestic or
6 Chinese, compete for the same sales with price being
7 the key factor determining which supplier gets the
8 sale.

9 Unfortunately for the U.S. industry members,
10 dumped and subsidized imports from China are obtaining
11 sales by significantly undercutting U.S. producer
12 prices for wire decking. We have documented in the
13 petition numerous instances of sales lost to imports
14 from China, some of which have already been confirmed
15 by Commission staff.

16 In each instance, the Chinese product was
17 priced below -- often well below -- the competing U.S.
18 product. When U.S. producers were able to retain a
19 sale, it was by reducing the price they offered, thus
20 losing revenue and reducing profits.

21 Purchasers have confirmed that U.S.
22 producers have to lower prices to compete with dumped
23 and subsidized imports from China. The data we have
24 compiled present a compelling case on the basis of
25 each statutory factor.

1 The volume of imports from China is
2 significant and is capturing a larger share of the
3 U.S. market. Nonsubject imports are a minimal
4 presence in the U.S. wire decking market, so the
5 growth in imports from China is at the direct expense
6 of the U.S. industry.

7 As to price, the prices of Chinese products
8 are well below those of U.S. producers, often even
9 below domestic producers' cost. Quarterly price
10 comparisons based on questionnaire responses show
11 underselling by subject imports in virtually all
12 quarters and for all six price descriptors.

13 Further, the underselling margins are
14 substantial and increasing in first quarter 2009 at
15 precisely the time the U.S. industry is suffering its
16 greatest financial declines. As the industry will
17 attest, the injurious price effects of subject imports
18 have been particularly severe in 2009. The impact of
19 these import volumes and prices has been severe.

20 Domestic industry production, shipments,
21 employment and profitability have all declined from
22 2006 to 2008 and further in interim 2009. The
23 industry is now operating at an anemic capacity
24 utilization rate and is suffering financial losses.

25 Given the numerous export-oriented producers

1 of wire decking in China, these trends will only
2 continue unless the unfair trading practices are
3 addressed. Thank you.

4 MR. ASCIENZO: Thank you.

5 Ms. Levinson?

6 MS. LEVINSON: Good morning. I'm Lizbeth
7 Levinson with the law firm of Garvey Schubert Barer.

8 Our law firm represents Atlas Material
9 Handling, a U.S importer, the largest U.S. importer of
10 wire decks manufactured in China, and its Chinese
11 supplier, the Dalian Eastfound Group. Witnesses from
12 both these companies will be testifying before you
13 today.

14 After a strong period of growth and
15 increased customer demand for this product between
16 2006 and 2007, the Petitioners undoubtedly
17 established, as Ms. Cannon just said, that since the
18 onset of the recession they have experienced declines
19 in production, sales, employment and profitability.
20 What industry hasn't?

21 This industry, like the entire steel
22 industry and the U.S. and global economies, is in the
23 midst of the deepest recession since the Great
24 Depression. This is the most severe economic crisis
25 of our lifetime. The global recession is certainly

1 not limited to the domestic wire deck industry.
2 Importers, foreign producers and U.S. purchasers of
3 wire decks have all been adversely affected.

4 The Commission's analysis is required to
5 take into account the conditions of competition in
6 which the industry operates and the business cycle.

7 In order to impose antidumping and
8 countervailing duties on wire decking from China, it
9 is not sufficient for Petitioners to claim that
10 economic injury is affecting them. The statute
11 requires a reasonable indication that the domestic
12 industry is materially injured by reason of imports of
13 the subject merchandise, and the absence of this
14 necessary causal link, a negative preliminary injury
15 determination is required.

16 The administrative record here establishes
17 that no causal link exists between Chinese imports and
18 any adverse conditions that currently face the
19 domestic industry. According to the Material Handling
20 Industry of America, the industry trade association of
21 which Atlas is a member, U.S. consumption of wire
22 decks peaked in 2007. During that same year, Atlas'
23 imports also peaked.

24 Since onset of the recession, U.S.
25 consumption has plummeted. Likewise, Atlas' U.S.

1 sales and imports have mirrored the trends in domestic
2 consumption. Atlas' imports decreased between 2006
3 and 2008. Between 2007 and 2008, Atlas' imports
4 decreased by almost 20 percent. Between first quarter
5 2008 and first quarter 2009, Atlas' imports decreased
6 by 65 percent.

7 These huge declines in Chinese imports,
8 particularly since October 2008 and the onset of the
9 current recession, coincide precisely with the period
10 in which the domestic industry's performance has
11 deteriorated. This negates any possibility of Chinese
12 imports being a cause of material injury.

13 Moreover, no linkage exists between alleged
14 injury and the price of Chinese imports. As our
15 industry representative will testify, Chinese imports
16 are not the price leader in these markets. Atlas has
17 lost hundreds of sales, literally every day, to one of
18 the Petitioners, whose maverick behavior has disrupted
19 industry pricing to the detriment of Atlas and all the
20 other Petitioners.

21 The conditions of competition and the
22 business cycle under which this industry operates also
23 negate any linkage between Chinese imports and injury.
24 The current U.S./global recession and not the presence
25 of Chinese imports is the cause of any alleged injury.

1 Chinese imports did not cause the total
2 collapse in U.S. consumption of wire decking. Chinese
3 imports did not cause mass merchandisers like WalMart
4 and Home Depot to cease opening new retail outlets and
5 new distribution centers. Chinese imports did not
6 constrict the credit market or cause destocking of
7 U.S. purchasers' inventories.

8 Atlas has been a pioneer in developing the
9 current distribution system for wire decking. Atlas
10 previously purchased all supplies from some of the
11 Petitioners in this room. However, Atlas' customers
12 complained about quality concerns and demanded
13 increased customer service, particularly with respect
14 to inventory and nationwide distribution, which the
15 domestic industry could not meet.

16 Atlas therefore began sourcing product from
17 China. Atlas found a reliable manufacturer and was
18 able to build a more responsive distribution that
19 since many have emulated to meet the needs of its
20 customers.

21 Given the absence of any causal link between
22 the condition of the domestic industry and the volume
23 and pricing impact of Chinese imports, the Commission
24 should reach a negative preliminary determination.

25 Thank you very much.

1 MR. ASCIENZO: Thank you very much.

2 Ms. Cannon? Yes. I would just remind this
3 panel, and I'll remind the other panel, before you
4 speak please indicate your name for the court
5 reporter. Thank you very much. You may proceed when
6 ready.

7 MS. CANNON: Thank you, Mr. Ascienzo. For
8 the record, again my name is Kathleen Cannon, and
9 before introducing our industry witnesses I would like
10 to briefly address a couple of the legal issues in
11 this case.

12 First, the like product. The scope of this
13 case encompasses welded wire rack decking. We believe
14 that the domestic like product should be defined
15 co-extensively with the scope definition as welded
16 wire rack decking or wire decking for short.

17 All types of wire decking share the same
18 basic physical characteristics consisting of wire mesh
19 that is reinforced with structural supports and
20 designed to be load bearing. All wire decking is
21 produced from carbon or alloy steel in a similar
22 design.

23 Although variations in gauge, dimension or
24 coating may exist, these differences reflect a
25 continuum of a single product with no clear dividing

1 line. All wire decking also has the same use: To
2 provide a horizontal load bearing surface on
3 commercial and industrial storage rack systems.

4 Regardless of price, wire decking is made
5 using the same basic production process and equipment,
6 as Mr. Rollins will describe. This production
7 equipment is largely dedicated to the production of
8 wire decking.

9 No other products are substitutable for wire
10 decking given its physical strength, relatively light
11 weight and large open surface areas that permit light
12 and water to pass through. Indeed, this specific
13 product is often mandated by insurance policies and
14 building codes.

15 All wire decking also shares the same
16 distribution channels, most commonly to material
17 handling equipment distributors and OEM rack
18 manufacturers, but also directly to big box retailers.

19 Producers and purchasers perceive all types
20 of wire decking to be different forms of the same
21 product and perceive wire decking as distinct from
22 other shelving products. The prices of wire decking
23 are also in a reasonable range, reflecting the product
24 continuum.

25 Based on a like product defined as wire

1 decking, the domestic industry consists of all wire
2 decking producers. We have identified 10 domestic
3 producers of decking: The five petitioning companies;
4 Nucor, which appears today in support of this case;
5 and four other companies. Petitioners account for the
6 vast majority of U.S. production and sales of wire
7 decking.

8 Finally, there is no negligibility issue
9 here. Although there is no discrete HTS number by
10 which to measure imports, the domestic industry is
11 aware of only a minimal presence of nonsubject imports
12 of wire decking in the U.S. market.

13 The industry estimates that nonsubject
14 imports comprise less than five percent of total
15 imports in the most recent 12 months, so imports from
16 China are well above the three percent and four
17 percent statutory negligibility levels.

18 And now I would like to introduce our first
19 industry witness, Mr. Rob Rollins.

20 MR. ROLLINS: Good morning. My name is Rob
21 Rollins, and I am the Division Manager of the Material
22 Handling Division of Nashville Wire Products, as well
23 as one of the four owners. I have been with the
24 company for approximately 12 years.

25 Nashville Wire was founded by my grandfather

Heritage Reporting Corporation
(202) 628-4888

1 in 1934 and has been owned and run by my family since
2 that time. We are now a third generation family
3 business. We have eight different production
4 facilities and manufacture a variety of fabricated
5 wire products in three distinct operating divisions.

6 The Material Handling Division produces
7 primarily wire decking for pallet racks. The division
8 has three manufacturing and warehousing facilities for
9 wire decks located in Clarksville, Nashville and
10 Springfield, Tennessee. We also have additional
11 warehouses strategically located throughout the U.S.
12 We employ a highly skilled workforce and utilize
13 state-of-the-art equipment to provide the highest
14 quality products in our industry.

15 Today I would like to tell you a little
16 about our product and then some about the injury our
17 industry has been suffering due to the large quantity
18 of imports of dumped wire decking from China.

19 Wire decking was developed to fit into steel
20 pallet rack storage systems for warehouses, big box
21 retailers and other large commercial and industrial
22 storage systems. We brought with us today, and I
23 would direct your attention over here to the side, a
24 miniature mock-up sample of a pallet rack.

25 You have probably all been to a Lowes or a

1 Home Depot and seen the large floor-to-ceiling pallet
2 rack systems on which their merchandise is displayed
3 and stored. As you can see from the sample over
4 there, it is a system of structural steel uprights in
5 green on the sample with cross beams that are orange
6 on the sample.

7 These racks are called pallet racks because
8 they were literally designed to be loaded and unloaded
9 by forklifts which would place pallet bundles of goods
10 resting generally on standard size 40x48 inch wooden
11 pallets which would rest across the beams.

12 Pallet racks may be many levels high, giving
13 the user the ability to store more goods in the same
14 amount of square footage by going vertical with their
15 storage space. A critical limitation of pallet racks
16 is that once a system is designed and installed the
17 depth and width are essentially fixed to accommodate a
18 certain pallet dimension.

19 However, often times pallets come in
20 nonstandard sizes or the warehouse wants to store
21 material that does not come on a pallet. Wooden
22 pallets may also fail or forklifts may not place the
23 pallet on the rack properly, all of which can lead to
24 damage to the merchandise being stored or, more
25 importantly, jeopardizing the safety of employees.

1 For these reasons, wire decks were invented.

2 As you can see if you look at the sample of
3 the wire deck we brought, the open mesh design of wire
4 decking provides the end users with several benefits.
5 It protects against falling products from unsecured
6 loads, it protects against collapsing pallets loads
7 stored in the rack, and it allows the user to rack
8 many different sizes of palletized loads, as well as
9 cartons and other bulk unitized loads.

10 The open mesh design also provides a
11 low-weight, high-strength design that allows light and
12 air to pass through and gives the forklift driver
13 greater visibility of what is stored way up high in
14 the rack. Furthermore, it allows water from an
15 overhead sprinkler system to easily pass through, a
16 critical feature for fire protection. As a result,
17 wire decking is often required by insurance companies
18 and building codes for use in commercial storage
19 systems.

20 Wire decking is made in a variety of sizes.
21 However, a large portion of the market is comprised of
22 a single wire deck size, 42 inches deep by 46 inches
23 wide, corresponding to the most common rack system
24 dimensions of 42 inches deep with 96 inch long orange
25 beams. This allows the customer to shelve a single 96

1 inch long beam level in the rack with two 42 inch
2 deep, 46 inch wide, wire decks.

3 We encourage you to examine the samples
4 we've brought during the break. We will include more
5 diagrams in our brief for your reference and review.

6 At Nashville Wire, we purchase steel rod and
7 draw it into wire at a separate facility, typically in
8 the range of four to six gauge in thickness, which is
9 slightly under a quarter inch in diameter. Wire
10 decking is then produced by straightening and cutting
11 the steel wire to length and welding it into a square
12 or rectangular mesh pattern by resistance welding on
13 an automated wire mesh welder.

14 The spacing of the mesh can vary, but common
15 grid patterns are two inches by four inches and two
16 and a half inches by four and a half inches. The
17 welded wire mesh panels are then formed into various
18 profiles, generally using a press brake.

19 The most common profile consists of a one
20 and a half inch bend in the front and rear edges of
21 the mesh panel, which serves to trap the beam on the
22 rack and prevent the deck from becoming dislodged.
23 What Steve has his hands on there, that's the most
24 common variety, what we would call in the industry a
25 double waterfall deck.

1 Other profiles include simply a flat style
2 where the mesh panel rests between the inside
3 dimensions of the rack beam. I believe Steve has one
4 of those to show you. That's sometimes called inside
5 waterfall, flush flat. We're not very consistent with
6 our nomenclature, but also a common deck. Or a deck
7 can have an upturned rear waterfall which can serve as
8 a backstop to prevent loads from being pushed off the
9 back of the rack.

10 A key characteristic of wire decking is that
11 the mesh is structurally reinforced with some number
12 of reinforcement members. Since wire mesh alone would
13 tend to sag under even modest loads, decking, to
14 fulfill its purpose, needs this added reinforcement to
15 give it the structural integrity to sustain the
16 relatively heavy loads routinely placed onto it.

17 To make the supports, slit sheet steel is
18 fed into a roll former which through a series of
19 forming rolls spins the steel into generally a
20 U-shaped profile. The support channels are then
21 welded to the wire mesh.

22 The typical support channel is intended to
23 rest on the inside step ledge of a rack load beam.
24 Typical step beams have a notch or a step formed into
25 the load beam that is about one and a half inches deep

1 and about three-quarters of an inch in width. A rack
2 with these so-called step beams are the most common
3 variety.

4 The support channel on the wire deck may
5 also be squashed flat or flared, as we usually refer
6 to it in the industry, on the very ends to work with
7 rack beams that don't have a step, but are rather box
8 beams tubular in shape or C-channel. This wire deck
9 style, the flange, would be commonly used on rack with
10 tubular box beams or structural C-channel beams.

11 The reinforced wire mesh deck is then
12 finished with a painted finish, which can be applied
13 by wet spray or wet dipping or through powder coating.
14 It may also be hot-dipped galvanized or electroplated
15 with zinc.

16 As you can see, this is not a particularly
17 sophisticated product to produce. However, as the
18 staff who traveled to our facility saw, Nash Wire has
19 made significant investments in highly automated
20 equipment that allows us to produce wire decking at a
21 competitive cost, yet we find ourselves struggling to
22 try to compete with the Chinese wire decking
23 producers.

24 When the Chinese entered the market, they
25 did so at prices that significantly undersold ours.

1 Because our customers found the Chinese products to be
2 acceptable and at much lower prices than our own, we
3 began to lose market share.

4 Even when we contract with a customer such
5 as a big box store, it is generally understood as a
6 requirements contract. The purchaser has our
7 commitment to supply a certain number of decks at a
8 specified price, but there is no guarantee that the
9 customer will actually order the decks.

10 When they find a better price on an imported
11 deck from China that meets their requirements, the
12 customer or the competing Chinese deck can simply
13 choose not to order against our contract. Thus,
14 getting a contract does not really insulate us from
15 Chinese competition.

16 Nashville Wire has significant name
17 recognition and goodwill in our industry, but
18 ultimately our customers' buying decisions come down
19 to one thing and that's price. We sell a basic
20 fabricated steel product which is fairly
21 indistinguishable from our competitors' offerings. We
22 have to be price competitive on every quote or risk
23 losing the sale.

24 We found that we could not compete with the
25 Chinese on some decking products and so we made the

1 decision to begin importing decks from China. We
2 provided Chinese producers with the specifications,
3 and the Chinese built them for us. In some instances
4 this was the only way we could compete effectively
5 with the Chinese industry.

6 We are often times able to import products
7 from China more cheaply than we can produce them and
8 sell them to our customers in our own backyard. This
9 is true despite generally having significantly more
10 efficient and productive plants than the Chinese
11 producers from which we buy.

12 Despite importing some wire decking from
13 China, however, we chose to be a Petitioner in this
14 case. Nashville Wire is first and foremost a domestic
15 producer of wire decks. We have a substantial
16 investment in the facilities, the equipment and the
17 people employed in our plants producing wire decks.
18 We have more than enough unused capacity to meet our
19 customers' needs.

20 But for the huge amount of Chinese product
21 being offered at prices well below ours, we would not
22 have turned to importing at all. Quite frankly, we
23 struggled with whether to bring this case or simply
24 import more.

25 I have been to China a number of times and

1 toured the facilities of a number of Chinese wire
2 fabricators. They have a great deal of capacity and
3 can make pretty much any product any importer would
4 like to order, and they can and do undersell our
5 domestic production.

6 But this is Nashville Wire's seventy-fifth
7 year in business, and my two brothers and I are the
8 third generation to run this company. Our company was
9 begun during the Great Depression and survived World
10 War II and several economic recessions as a domestic
11 producer.

12 The threat of subsidized and dumped wire
13 decking from China to our business is among the most
14 challenging problems we have faced. We want to be
15 able to fully utilize our efficient and
16 technologically advanced operations and could not see
17 abandoning this investment or commitment to our
18 employees simply to become an importer.

19 We also cannot see effectively competing
20 over the long term with a Chinese industry that is
21 subsidized and dumps wire decking in this market at
22 prices that substantially undersell us, giving us
23 little hope of ever achieving a reasonable return on
24 our investment.

25 Thank you.

Heritage Reporting Corporation
(202) 628-4888

1 MS. CANNON: Our next industry witness will
2 be Mr. Todd Mack.

3 MR. MACK: Good morning. I'm Todd Mack, the
4 General Manager of ITC Manufacturing. ITC is a
5 domestic producer of wire decking located in Phoenix,
6 Arizona. We are also a Petitioner in this action and
7 support the imposition of antidumping and
8 countervailing duties on imports of wire decking from
9 China.

10 Over the past three years I have watched the
11 volume of imports of wire decking from China increase
12 significantly into our market. We have lost
13 significant volumes of sales to these imports and have
14 tracked imports from China based on the sales we have
15 lost.

16 As documented in our petition, the volume of
17 sales that ITC has lost to China has increased in
18 every year from 2006 through 2008. First quarter 2009
19 sales continue that trend with larger volumes of sales
20 lost to China than in first quarter 2008.

21 Not only are the volumes of Chinese decking
22 increasing, but they are increasing their share of the
23 U.S. market, and this import increase is at the
24 expense of ITC and the other U.S. producers. Imports
25 of wire decking from other countries are minimal. I

1 estimate that nonsubject imports have accounted for
2 five percent or less of total imports during the past
3 three years.

4 Imports from China, accounting for about 95
5 percent of total wire decking imports, are
6 increasingly displacing our sales and capturing a
7 large share of the U.S. market at our expense. My
8 knowledge of the Chinese import situation is not
9 limited to the lost sales that ITC has experienced. I
10 have also received firsthand information from a
11 significant importer of wire decking from China.

12 As my petition declaration attests, I have
13 spoken with a representative of Atlas Material
14 Handling, one of the largest importer distributors of
15 wire decking from China. That information confirms
16 that wire decking imports from China are sizeable and
17 compared to U.S. consumption and have been increasing
18 over the past three years and into first quarter 2009.

19 These increasing sales by Chinese producers
20 are not due to better production techniques in China
21 than in the United States or to greater levels of
22 efficiency by Chinese producers. ITC has one of the
23 most, if not the most, state-of-the-art facilities for
24 producing wire decking and is able to compete with any
25 wire decking producer in the world on a fair trade

1 basis.

2 Chinese decking producers, however, do not
3 compete fairly, given the numerous subsidies they
4 receive and their substantial level of dumping. China
5 has used these unfair trading practices to penetrate
6 our market based on one factor: Price. The Chinese
7 producers routinely undercut our price of wire decking
8 in the U.S. market.

9 Wire decking may have various physical
10 characteristics. The Chinese low price often don't
11 account for additional costs associated with some of
12 these characteristics. The prices offered by Chinese
13 producers are well below our price and sometimes do
14 not cover our raw material costs. We have been unable
15 to maintain our prices at levels that cover our cost
16 due to competition from low-priced imports from China.

17 Domestic wire decking producers compete
18 head-to-head with imports of Chinese decking for sales
19 in all channels of distribution in which the product
20 is sold. Wire decking is sold to three types of
21 customers: Distributors, OEMs or rack manufacturers
22 and big box stores such as Home Depot, Lowes and
23 WalMart. The Chinese producers sell to all these
24 channels of distribution as well and undercut our
25 prices to all types of customers.

1 There is a qualification process to sell
2 wire decking to most purchasers, and that process
3 varies depending on the customer. Two years ago an
4 importer of decking, Mighty Lift, was offering a very
5 low price on imported decks from China, but had not
6 been qualified by a big box store to supply wire
7 decking for quality reasons, so for the years 2006
8 through 2008 ITC was a significant supplier of wire
9 decking to this big box store.

10 Within the past eight months, Mighty Lift
11 has been approved by this big box store to supply wire
12 decks. Mighty Lift is now supplying a significant
13 percent of this big box store's wire decking
14 purchases, replacing 62 percent of new store business
15 in the western half of the United States with imports
16 from China. This shift from ITC's product to Mighty
17 Lift's import from the Chinese displaced our sales and
18 again was solely on the basis of price.

19 The result of the surge in low-priced
20 imports from China has been declines in our sales and
21 profits. We have had to undertake temporary shutdowns
22 and reduce our production shifts due to lost orders to
23 China. In 2008 and early 2009, we were forced to
24 permanently lay off 42 employees. If import pressure
25 does not subside, we will have to lay off an

1 additional 19 percent of our workforce.

2 We have had to reduce capital expenditures
3 significantly as our financial condition has
4 deteriorated. Unfortunately, we project the balance
5 of 2009 will be even worse for our industry unless
6 something is done to address these Chinese unfair
7 pricing practices.

8 We have recently lost several major jobs to
9 imports from China again due to low-price offers.
10 There are many export-oriented producers in wire
11 decking in China, so import volumes will continue to
12 increase.

13 Our hope for recovery lies in this trade
14 action. Absent imposition of duties to offset the
15 unfair Chinese trading practices, low-priced imports
16 of decking from China will continue to displace our
17 sales, and the domestic wire industry will suffer more
18 layoffs, financial losses and production shutdowns.

19 Thank you.

20 MS. CANNON: Mr. Craig Chamberlin is our
21 next witness.

22 MR. CHAMBERLIN: Director Ascienzo and the
23 other members of the Commission, good morning. My
24 name is Craig Chamberlin. I am the founder, the owner
25 and the chief executive officer of AWP Industries in

Heritage Reporting Corporation
(202) 628-4888

1 Frankfort, Kentucky.

2 I founded AWP in 1990 after a 23 year career
3 with IBM. Part of that career was spent as an Asia-
4 Pacific director within IBM in Tokyo, Japan, managing
5 a portion of IBM's product development and marketing
6 throughout the Far East and the Pacific Region.

7 As a result of this experience, I founded
8 AWP with a strong understanding of international
9 business and generally consider myself to be a strong
10 proponent of free trade and a supporter of globalism.
11 I also think I have a good idea about the nature of
12 competition in the market for wire decks, having built
13 AWP from a new producer with zero market share into
14 one of the three largest producers of wire decking
15 today in the United States.

16 Our wire decks are primarily sold through
17 material handling distributors under the brand name of
18 American Wire Products. AWP is a very modern and
19 efficient producer of wire decks. Much of our plant's
20 machinery and equipment is highly automated and
21 computer controlled, and I believe AWP can compete
22 with any fairly traded product.

23 Despite my corporate history, my philosophy
24 of support for free trade and despite AWP's extremely
25 efficient and competitive production facility, I

1 nonetheless find myself with no choice other than to
2 join the other Petitioners in this case.

3 That is because it does not matter how
4 efficient my plant may be. AWP cannot compete with
5 dumped wire decks from China that are being sold at
6 prices that are below AWP's out-of-pocket costs. We
7 are being consistently undersold by the Chinese, and
8 it has cost us volume, caused us to significantly
9 lower our prices and as a result has greatly eroded
10 our profit margins.

11 As I said before, much of our business is
12 sold to material handling distributors or resellers.
13 There are probably some 1,300 to 1,400 such material
14 handling distributors or resellers in the United
15 States. Material handling resellers in turn sell the
16 products to the end user, so the reseller is AWP's
17 customer. The end user is the customer of the
18 reseller.

19 Some material handling distributors may be
20 only a single person working out of his home on a
21 single project-by-project basis. At the other end,
22 other distributors are extremely large companies
23 selling a variety of material handling products, which
24 would include both pallet rack and wire decks.

25 We receive many quote requests each day at

1 American Wire Products, each of which we will quote
2 for sale. On quotes for potential orders of any
3 significant size, we know that our customers are
4 seeking multiple quotes from different domestic and
5 import sources.

6 For a particular end user project, we may
7 get more than one inquiry from several different
8 material handling distributors. The end user seeks
9 the best bid from a variety of material handling
10 distributors, and each of those distributors or
11 resellers will seek a variety of bids from deck
12 manufacturers and importers.

13 At some customers where we have particularly
14 good relationships we may learn of the import price
15 that is underbidding us. Often, though, we simply do
16 not get the order and do not hear back from the
17 material handling distributor. With so many material
18 handling resellers having access to so many different
19 deck sources in China, it is difficult for any of
20 these customers to remain loyal to a U.S.
21 manufacturer.

22 Distributors have to make sales at
23 competitive prices too. When a distributor can offer
24 a competitive product to AWP's decks at a price lower
25 than AWP's, we're very likely to lose that sale. If

1 the customer with whom we have a relationship comes
2 back to us with information that they can buy Chinese
3 deck for less, we, AWP, either have to give up that
4 sale or lower our price to remain competitive.

5 With Chinese decks often quoted at prices
6 below AWP's cost of production, lowering our price
7 means losing money. This impact, seeking to meet a
8 delivered Chinese price that is below AWP's cost, has
9 been the case well before the last nine months and the
10 current national recession.

11 The choice between losing a sale or losing
12 money on a sale is not an attractive choice, and it is
13 happening more and more. Chinese wire decking can now
14 be bought on a nationwide basis. Large importers such
15 as Atlas Material Handling boast of multiple stocking
16 locations and large inventories of wire decking.

17 Given this widespread availability of
18 Chinese decks, a primary factor in the buying decision
19 by the material handling distributor or reseller is
20 simply price. The Chinese prices are generally well
21 below our prices and, as I said, even below our costs.

22 AWP could have been selling far more decking
23 throughout the period of investigation had we not been
24 undersold by imports from China. Our capacity
25 utilization rates, however, have never been lower than

1 they are now in 2009, and I do not expect it to get
2 better soon given the high market share of Chinese
3 decks at such low prices and this very difficult
4 market.

5 Demand is now relatively low while the
6 availability of Chinese decks remains widespread.
7 Prices for Chinese decks continue to undersell AWP at
8 a time of low demand when we are very vulnerable. Now
9 more than ever, price is critical to driving sales in
10 the marketplace. The Chinese producers will continue
11 to command a growing share of the domestic market at
12 the expense of domestic producers if they are
13 permitted to continue to undersell with subsidized
14 product.

15 As I told you at the outset of my testimony,
16 I am a free trader by nature and by my corporate
17 upbringing, and I am not at all adverse to the
18 challenges of free market competition. AWP is an
19 extremely efficient company with a great reputation
20 and a great product, but the Chinese Government has
21 put in place policies that give Chinese deck producers
22 wire rod at very low prices and subsidize their
23 production and the subsequent export of wire decks.

24 The Chinese wire decking industry is large
25 and growing and has aggressively sought market share

1 in the United States through low prices fueled by
2 these government subsidies and policies. As a result,
3 AWP is being injured by these dumped and subsidized
4 imports from China, and that will continue to be the
5 case until relief is granted.

6 Thank you for your attention.

7 MS. CANNON: Our next witness will be Mr.
8 Jim Rudolph.

9 MR. RUDOLPH: Good morning. I'm Jim
10 Rudolph, the General Sales Manager of J&L Wire Cloth,
11 a U.S. producer of wire decking.

12 Like the others who have testified, J&L
13 supports the imposition of duties on wire decking
14 imports from China due to the injury that unfairly
15 traded imports from China have had on our company and
16 our industry.

17 J&L was acquired by American Spring Wire in
18 early 2007. Unfortunately, the influx of low-priced
19 imports from China has led to a pessimistic outlook
20 for the industry unless these unfair trading practices
21 are addressed. That is why J&L has joined the other
22 U.S. industry members in seeking relief here.

23 At J&L, our production of wire decking
24 begins in our wire mill. We produce galvanized wire
25 to manufacture our decking. We begin by drawing down

1 wire rod to a specific diameter and then undertake a
2 hot-dipped galvanizing process to galvanize the wire.
3 The finished wire moves to our decking and fabrication
4 department where the wire is straightened and then cut
5 to length, welded into a wire mesh and then fabricated
6 into a wire deck.

7 Sales in the U.S. market of wire decking
8 generally take place on the basis of both spot sales
9 and short-term contracts. All of J&L's sales are on a
10 spot basis. Price is the predominant factor on which
11 wire decking purchase decision are made. The prices
12 at which we are forced to sell wire decking in the
13 U.S. market are driven by the Chinese importers.

14 As the data presented in our petition
15 demonstrates, the Chinese product is priced
16 significantly below our prices. By undercutting our
17 prices, the Chinese producers have been able to take a
18 number of our customers and have caused us to lower
19 prices in order to retain other customers.

20 J&L has submitted a number of specific
21 examples of lost sales and lost revenue to Chinese
22 imports. As my declaration in my petition states, J&L
23 has lost increasing volumes of sales to imports from
24 China over the past three years.

25 One recent example is a sale lost to Atlas

1 Material Handling, a significant importer of Chinese
2 wire decking to the U.S. market. That lost sale, like
3 the other sales J&L has lost to China, was due to our
4 inability to cut our price to the low levels at which
5 the Chinese wire decking producers are selling their
6 product.

7 Atlas is not only an importer. It is also a
8 large distributor of decks. Every purchase Atlas
9 makes from China is a potential lost sale to J&L or
10 another domestic producer. Every distributor that
11 buys from them is also a lost sale to the domestic
12 industry, so the low Chinese prices take sales away
13 from the domestic industry at every level of
14 competition.

15 When we do reduce our price and attempt to
16 retain a sale, we lose money. The financial results
17 of this industry documented in the declaration of the
18 financial conditions over the past three years has
19 just shown that it continues to deteriorate.

20 In addition, we have seen dramatic drops in
21 production, shipments and employment and presently
22 have a significant unused capacity in our facilities
23 because of our inability to compete with the
24 low-priced imports from China.

25 We also have a number of employees on

1 temporary layoff, and the prospects of bringing them
2 back to work does not look good unless this import
3 problem is remedied. We are pursuing this trade
4 action because we see no viable alternative means to
5 addressing this import problem.

6 Several years ago J&L began importing a
7 small volume of wire decking products from China due
8 to the lower prices offered by the Chinese producers.
9 I was told that the previous owner was hoping that J&L
10 might be able to better compete by supplementing his
11 production with these low-priced imports. After J&L's
12 acquisition by American Spring Wire in 2007, we
13 discontinued importing from China as we recognized
14 that this practice ultimately was not going to sustain
15 us as a domestic wire producer.

16 What is needed is a remedy for the unfair
17 pricing practices in which the Chinese producers
18 engage. I am confident that J&L can compete with any
19 producer in the world if the competition occurs on a
20 fair trade basis. Unless fair trade conditions are
21 restored, however, the decline of our industry as it
22 has suffered over the past three years will continue.

23 We are not willing to sit by and watch our
24 industry and my company destroyed by unfair foreign
25 competition. Relief under the U.S. trade law is

1 needed to restore fair trade and to ensure the
2 viability of the domestic wire decking industry.

3 Thank you for your time.

4 MS. CANNON: Our next witness will be Mr.
5 Ron Young.

6 MR. YOUNG: Good morning. My name is Ron
7 Young, and I am the president of Wireway/Husky
8 Corporation, a domestic producer of wire mesh decking
9 and also a Petitioner in this case.

10 Wireway/Husky is a family owned and operated
11 company that was started by my parents. At its outset
12 in 1964, the company manufactured modular woven wire
13 partitioning. My parents are now both 88 years old
14 and continue to be involved in the business.

15 In 1985, the company bought a pallet rack
16 manufacturing business called Husky Systems. In 1998,
17 we began manufacturing wire decking, which is an
18 accessory to pallet racking. We remain today the only
19 U.S. manufacturer of both pallet racks and wire
20 decking. We manufacture the wire decking at our plant
21 in Denver, North Carolina.

22 I support this trade action because Wireway/
23 Husky has been injured by the large volumes of
24 unfairly priced imports of wire decking from the
25 People's Republic of China. Welded mesh wire decking

1 is a very significant portion of Wireway/Husky's
2 production and sales.

3 The wire decking that we manufacture is
4 generally galvanized, although we do sell some painted
5 decking as well. Over the past three years, we have
6 found ourselves increasingly unable to obtain sales
7 due to the low-priced imports from China. Importers
8 of Chinese wire decking offer their product at prices
9 well below our prices, often below our material costs,
10 let alone labor, overhead and profit.

11 We have lost sales and have had to reduce
12 prices in an effort to compete with China and have
13 watched our financial condition deteriorate. If we
14 are not able to produce and sell wire mesh decking in
15 the United States at a price that permits us to cover
16 our cost and earn some reasonable level of profit, our
17 decking production facilities will have to be shut
18 down.

19 Wireway/Husky's sales of wire decking are
20 largely made on a spot basis. To the extent that we
21 sell on a contract basis, those contracts are short-
22 term, usually just for a few months. As a result,
23 when lower priced product from China enters our market
24 it is easy for purchasers to quickly shift to imports
25 of that product instead of our product.

1 We price on a transaction by transaction
2 basis and are constantly having to reduce our prices
3 in attempting to compete with the prices offered for
4 these imports. The lower prices at which the
5 significant volumes of Chinese wire decking are sold
6 have caused Wireway/Husky to lose sales and to lose
7 revenue in recent years.

8 Since 2006, Wireway/Husky has suffered
9 significant declines in production, shipments,
10 employment and profitability in selling wire decks in
11 the U.S. market. While 2008 was bad, the first
12 quarter of 2009 was even worse.

13 Despite the economic downturn, imports from
14 China continue to be aggressively marketed at large
15 volumes and at low prices, further depressing our
16 prices and eliminating our profits. We have had
17 discussions about importing from China due to our
18 inability to compete with these dumped imports. We
19 would much rather be able to remain a U.S. wire
20 decking manufacturer than become an importer.

21 We view this trade case as our last chance
22 to remedy the unfair pricing problems in the U.S.
23 market. Correction of these unfair pricing practices
24 will permit Wireway/Husky and the other U.S.
25 manufacturers to continue to produce wire decking in

1 the United States.

2 I fear that if this action is not successful
3 domestic production of wire decking, like so much
4 other U.S. production, will become a thing of the
5 past, replaced instead by imports from China.

6 Thank you for your attention.

7 MS. CANNON: Petitioners' final witness will
8 be Ms. Gina Beck.

9 MS. BECK: Good morning, Mr. Ascienzo and
10 staff. I am Gina Beck of Georgetown Economic
11 Services. This morning I will discuss the volume and
12 price effects of imports from China on the performance
13 of the U.S. wire decking industry.

14 The absolute volume of wire decking imports
15 from China was significant each year of the POI.
16 Imports from China were also substantial relative to
17 imports from other countries, comprising nearly all
18 imports throughout the POI. Given that a distinct HTS
19 number does not exist for wire decking, Petitioners
20 relied on estimates for U.S imports of wire decking as
21 detailed in the petition.

22 Based on the importers' questionnaires
23 received to date, the import volume of wire decks from
24 China is even higher in absolute terms from 2006 to
25 2008 than estimated by Petitioner. Notably, the

1 Commission has received only limited importers'
2 questionnaires so far, even though numerous importers
3 were identified in the petition, and it appears that
4 there are some recording errors.

5 Based on the Petitioners' data, wire decking
6 imports from China increased relative to consumption
7 form 2006 to 2008 and during the interim period and
8 represented a significant share each year. Using
9 Petitioners' or importers' questionnaire data, imports
10 from China rose to a substantial share of the U.S.
11 market in 2008 to a level of over 15 percent.

12 Given that imports from China comprise the
13 vast majority of total imports, any increases in
14 subject import share came at the direct expense of the
15 U.S. industry. Imports from China captured a large
16 share of the U.S. market by aggressively underselling
17 U.S produced wire decking and depressing and
18 suppressing U.S. prices.

19 The petition includes numerous lost sales
20 examples that show dramatic underselling by imports
21 from China by large margins. The record already shows
22 that many lost sales allegations have been confirmed
23 by purchasers. Purchasers further admitted to
24 switching to Chinese imports from U.S. product due to
25 price and that U.S. producers had to reduce their

1 price to compete with Chinese import prices.

2 In addition, a comparison of the quarterly
3 pricing data reported in the Commission's producers'
4 and importers' questionnaires received to date shows
5 pervasive underselling in almost every quarter and for
6 almost every product type examined. Further, the
7 margins of underselling are substantial and increasing
8 over the POI, ranging mainly between 20 and 30 percent
9 in first quarter 2009.

10 The consistent underselling by unfair
11 imports from China led to suppression and depression
12 of the U.S. producers' prices. Even when industry
13 prices increased during the POI, those increases did
14 not keep pace with increases in raw material costs due
15 to low-priced subject imports.

16 When U.S. prices of wire decking decreased
17 in recent quarters, they declined at a more rapid pace
18 than cost reductions, leading to operating losses for
19 the U.S. industry. The Commission requested quarterly
20 pricing data for six products, and these data show
21 that U.S. producers' prices fell significantly from
22 third quarter 2008 to first quarter 2009.

23 The result of the rising volume of
24 low-priced imports from China and suppressed and
25 depressed U.S. prices has been the significant decline

1 in U.S. producers' operating and financial performance
2 from profits in 2006 to losses in first quarter 2009.

3 The domestic industry suffered deterioration
4 in nearly every trade and financial variable
5 considered by the Commission in injury investigations,
6 including production, shipments and employment as
7 shown in Chart 1. The industry also experienced
8 production cutbacks, temporary shutdowns and permanent
9 layoffs over the POI due to sales declines as a result
10 of orders lost to imports from China.

11 In first quarter 2009, the low prices of
12 imports from China intensified, which caused a further
13 decline in U.S. sales and production levels. As
14 shown in Chart 2, capacity utilization, already at a
15 very low level in 2008, plunged further to about
16 one-quarter of total capacity in first quarter 2009.

17 Domestic wire decking producers have ample
18 capacity to supply customers' requirements, but have
19 been unable to sell more product because they cannot
20 compete with the prices offered by importers of the
21 Chinese product.

22 The correlation between the domestic
23 industry's trade declines and imports from China is
24 also demonstrated in the market share changes that
25 have occurred over the POI. While imports from China

1 increased their share of the U.S. market, the U.S.
2 industry's market share fell as domestic producers
3 lost more and more sales to imports.

4 An extremely telling sign of the U.S.
5 industry's injury is its dramatic decline in financial
6 performance over the POI. Domestic producers'
7 profitability displayed a significant decline from
8 2006 to 2008. As a ratio of sales, the domestic
9 industry's operating income plummeted from 6.4 percent
10 in 2006 to 0.5 percent in 2008 as shown in Chart 3.

11 First quarter of 2009 displayed further
12 financial deterioration when the industry's net sales
13 value fell by a significant degree and profitability
14 plunged to negative 11.9 percent of sales.

15 The persistent underselling by subject
16 imports from China and an intensified underselling in
17 first quarter 2009 has prevented domestic producers
18 from selling wire decking at prices that cover cost,
19 leading to operating losses.

20 In addition to the significant material
21 injury already caused by wire decking imports from
22 China, those imports also threaten further injury to
23 the domestic industry. Petitioners identified 83
24 Chinese producers of wire decking in the petition, but
25 the Commission has received an extremely limited

1 number of questionnaire responses to date.

2 As described in the petition, Chinese
3 producers have excess capacity to produce wire decking
4 and are export-oriented with exports accounting for
5 the majority of production. Moreover, the Chinese
6 wire decking industry is expanding.

7 A number of Chinese producers have already
8 added new capacity, and others have announced plans to
9 increase production capacity. Don -- Equipment, for
10 example, is currently investing \$10 million to build a
11 new production facility to "meet the need of expanding
12 production."

13 China's wire decking industry has also
14 demonstrated its ability to increase exports to the
15 United States by selling at prices that depress and
16 suppress U.S. prices. Absent relief from imports,
17 Chinese producers and exporters will continue to
18 target their substantial volume and unused capacity at
19 the U.S. market.

20 Thank you for your attention.

21 MR. PRICE: Good morning. I am Alan Price,
22 counsel to Nucor Wire Products, and I would like to
23 introduce Mr. Mark Brandon.

24 MR. BRANDON: Good morning. I am Mark
25 Brandon. I am Vice President and General Manager of

Heritage Reporting Corporation
(202) 628-4888

1 Nucor Wire Products in New Salem, Pennsylvania, and
2 Nucor Connecticut in Wallingford, Connecticut.

3 I have over 30 years of experience in the
4 steel industry. I have been with Nucor for over four
5 years and have managed Nucor's wire producing
6 facilities for the last three and a half years. In my
7 capacity as general manager, I oversee the production
8 and sale of Nucor's wire decking.

9 In October 2007, Nucor acquired Nelson
10 Steel, Inc. and its 140,000 tons of capacity and 120
11 employees. This was an important advancement for
12 Nucor's downstream businesses and significantly
13 expanded Nucor's capacity to produce wire mesh
14 products, including wire decking.

15 Despite the acquisition of Nelson, Nucor
16 remains a relatively small player in the wire decking
17 industry. However, as a large domestic producer of
18 primary steel products, Nucor has witnessed firsthand
19 the deliberate and government-encouraged onslaught of
20 low-priced Chinese imports that have devastated U.S.
21 manufacturers.

22 From the highest levels of the Chinese
23 Government, Chinese producers are encouraged to export
24 their products with one goal in mind: To capture
25 market share at the expense of the domestic industry.

1 It is clear that China has expanded the scope of the
2 strategy beyond primary steel products to include
3 higher value downstream industries, including the wire
4 decking industry.

5 The telltale signs are all here:
6 Significant imports, dumped prices and complete
7 disregard for cost-invasive market principles. During
8 the due diligence process of Nucor's acquisition of
9 Nelson, we learned very quickly that the wire decking
10 imports from China were distorting this market.

11 Since then, the problems caused by Chinese
12 imports have only grown worse. Over the past three
13 years, regardless of demand and other market
14 conditions, low-priced Chinese products have been
15 aggressively sold into the U.S. market. This has
16 consistently caused an unnatural deterioration in the
17 base price of wire decking.

18 Wire decking is a commodity product that is
19 sold almost exclusively on the basis of price. With
20 razor-thin profit margins, it is very difficult to
21 sell even to our most loyal customers when a foreign
22 competitor subsidized by its government offers
23 products at markedly lower prices.

24 In 2008, when the price of most steel
25 products were at all-time highs, aggressively priced

1 Chinese imports were exerting a harmful downward
2 pressure on the price of wire decking.

3 In addition, the Commission's import data
4 likely understates the import volume. With wire
5 decking, many of the large end users such as WalMart,
6 Lowes and Home Depot likely import directly from
7 China, and those imports may not be included in the
8 data received by the Commission.

9 China's low-priced imports of wire decking
10 are affecting the wire decking market in a direct and
11 harmful manner. At the New Salem facility, we produce
12 a number of products that are tied to the consumer and
13 light industrial sectors. I can tell you that the
14 wire decking line, with a 70 percent drop in
15 production, is far worse off than our other product
16 lines. Even when we've slashed prices in an attempt
17 to meet import prices, we've still generally lost the
18 sale to Chinese imports.

19 To illustrate just how aggressively Chinese
20 producers of wire decking have been over the last few
21 years, I will tell you that it's not uncommon to find
22 Chinese wire decking being offered at prices barely
23 over the market price of wire rod, the chief import in
24 the manufacture of wire decking.

25 So in light of the full extent of the

1 manufacturing process, i.e. the drawing of wire,
2 welding, painting and other processes, it is clear
3 that these imports are sold with no rational
4 connection to the cost of manufacturing.

5 As a result of these tactics over the past
6 three years, we have had to reduce our production of
7 wire decking dramatically. This has corresponded with
8 a similarly sharp drop in sales. Sadly, as a result,
9 we have recently had to reduce working hours for our
10 employees. Consistent with Nucor's policy, we have
11 not furloughed any workers, but because the workers
12 are working less they are being paid less.

13 Given these facts and China's readiness to
14 export at any price, I fully believe that in the
15 absence of trade relief the domestic industry will be
16 irrevocably damaged.

17 Nucor is here today to support the
18 Petitioners. These domestic producers are trying to
19 do the right thing, and I hope the Commission does the
20 right thing too by providing a remedy for low-priced
21 dumped and subsidized Chinese imports.

22 Thank you for your time, and I'd be happy to
23 answer any questions you have.

24 MS. CANNON: Before answering your
25 questions, I would just like to introduce a couple of

1 other of our panel members that will be available to
2 answer questions as well.

3 First, Mr. John Caldwell, the president of
4 ITC Manufacturing; next, Mr. Tim Selhorst, the
5 president of American Spring Wire; Mr. Steve Wagner,
6 the Division Operations Manager of Nashville Wire
7 Products; and finally, my colleague, Alan Lubberda, a
8 partner at Kelley, Drye & Warren.

9 With that we conclude our presentation, and
10 we'll be happy to answer your questions.

11 MR. ASCIENZO: Thank you very much for that
12 presentation.

13 We're going to start the questions today
14 with Christopher Cassise, the Investigator, and I'll
15 remind you all once again, please, to identify
16 yourself before you answer the question for the court
17 reporter. Thank you very much.

18 MR. CASSISE: I'd just like to welcome
19 everybody this morning. I'm Chris Cassise from the
20 Office of Investigations.

21 I have a couple of questions that I'd like
22 each of the representatives from each of the companies
23 to answer if they could. I guess I'll start off with
24 a simple one.

25 Mr. Rudolph, you briefly described your

Heritage Reporting Corporation
(202) 628-4888

1 production process as starting with galvanized rod and
2 drawing it into wire. I was wondering if everyone
3 could go around and just briefly describe their
4 production process and I guess tell us how integrated
5 it is and whether or not that affects any of your cost
6 structures.

7 So, Mr. Randolph, do you want to expand on
8 your answer a little bit and then we'll go around?

9 MR. RUDOLPH: Sure. Jim Rudolph with J&L.
10 Actually we start with rod and then we draw the rod
11 down to form it into wire and then we take that wire
12 and we galvanize it in an operation right next to our
13 plant.

14 We take the galvanized wire and then shift
15 it over to our decking operation where we straighten
16 and cut the wire. We take that straightened and cut
17 wire very similar to where Rob explained, you know,
18 you take the wire and you form it into a mesh grid,
19 and then we also take slit stock from flat steel. We
20 roll it and form a channel and weld it on in a very
21 similar operation.

22 Pretty much what Rob described. The only
23 differential is that everything we use is a
24 pregalvanized product, so --

25 MR. CASSISE: So you're purchasing the rod?

1 MR. RUDOLPH: We buy the rod.

2 MR. CASSISE: Okay.

3 MR. RUDOLPH: We buy the rod from domestic
4 mills typically.

5 MR. CASSISE: Okay.

6 MR. CALDWELL: Good morning. My name is
7 John Caldwell with ITC, and I would like to basically
8 I guess explain our operation.

9 One of the things that I would like to say
10 is that I'm the founder of the organization, and
11 basically over the 16 years since I've founded the
12 operation our emphasis has been on automation. I
13 think and believe that we have probably the most
14 highly automated facility in the world.

15 One of the things that we do, we start out
16 by buying wire rod directly from the mills. We draw
17 that wire rod down and straighten and cut it into
18 links. Then basically also we buy sheetmetal directly
19 from the mills as well. We slit it and process it
20 in-house.

21 We take that slit sheetmetal to a roll
22 forming process, which is then put into very highly
23 automated pieces of equipment. We use material
24 handling individuals that load the machines on one
25 side, which would put the wire and channels in one

1 side of the machine, and then through the welding
2 process out comes a wire mesh deck on the other end,
3 which is palletized and ready to go to the painting
4 operation.

5 Once it's at the painting operation then it
6 basically is loaded onto a powder coating line,
7 restacked and strapped and ready to be shipped. So
8 basically I would say that our operation is not a
9 labor-intensive operation. It is very automated, and
10 we have very low overhead.

11 MR. WAGNER: Steve Wagner with National Wire
12 Products.

13 Kind of like ITC, I'd say we're fairly
14 integrated in what we do. We're buying wire rods and
15 drawing them as well, and then our other main raw
16 material is slit coil steel, which we buy from service
17 centers. Of course, those service centers buy them
18 from the mill, but we buy through the service center.

19 We roll form the channels and we cut and
20 weld the wire into mesh and form it, again without
21 going into too much detail. With our competitors here
22 we don't want to give away too many details, but a
23 very highly automated process.

24 Unfinished deck is then sent for finishing,
25 which could be painted, powder coated, dip galvanized.

1 We have a variety of capabilities in-house, and then
2 we also outsource dip galvanizing, for example.

3 MR. CHAMBERLIN: Craig Chamberlin with AWP,
4 American Wire Products.

5 Very similar to what you've already been
6 told. The one difference is that we do not draw our
7 own wire. We buy wire from service centers that are
8 wire drawers. We buy master coils that then we have
9 slit for us.

10 We have highly automated equipment. Ours
11 happens to come from Switzerland. We have five such
12 machines. A person can run one machine all by
13 himself, which takes coils of wire at one end, and at
14 the other end you get a completed mesh panel to the
15 exact dimensions that it's intended to be for a given
16 deck size.

17 We have further automated equipment that
18 will weld the channels, the reinforcement members as
19 they were referred and you saw them over there,
20 automated equipment that will weld those channels to
21 the deck, and then we have an oven baked enamel paint
22 finish system within our own facility, and we too can
23 send out decks to be galvanized or zinc plated if
24 that's what the request is.

25 MR. YOUNG: I'm Ron Young, Wireway/Husky.

1 We have two lines. One is straighten and cut similar
2 to other descriptions here, and finished decks come
3 off the end of the line.

4 The other process is continuous, continuous
5 coil. Each line there's negligible direct labor
6 involved. At the end of the process there is a
7 finished deck. There is no further processing.

8 Our raw material comes from service centers.
9 We buy the galvanized wire partitioning. I mean,
10 we're in that business also. The galvanized raw wire
11 we buy from service centers, and we buy galvanized
12 slit coil for the reinforcements from service centers.

13 MR. BRANDON: I'm Mark Brandon, Nucor Wire
14 Products.

15 Our process is very similar to every one
16 that's been discussed. The most distinct difference
17 is that we produce our own wire rod and draw our own
18 wire, but the welding process, the attachment of the
19 galvanized supports, the painting process, is all
20 exactly the same.

21 MR. CASSISE: Okay. So I think some draw
22 their own wire and some don't. Why would you draw
23 your own wire from rod if you could buy the wire?
24 It's an extra step. Why do you find it necessary to
25 do that?

1 MR. CALDWELL: We found that by drawing our
2 own wire in-house that there is significant savings in
3 doing that, so that's one of the reasons why we've
4 decided to draw our own wire and buy directly from the
5 mill to cut out any middle man and to basically be
6 fully integrated and control how much wire basically
7 is being processed on a daily basis.

8 MR. CASSISE: Okay. Is that true for the
9 other two?

10 MR. SELHORST: Yes. This is Tim Selhorst
11 with J&L.

12 When we purchased the company it had wire
13 drawing equipment, but the parent company is a wire
14 manufacturing company so the fact that we're able to
15 couple the wire rod purchases for J&L with the
16 purchases from the parent company, it presents some
17 economies of scale.

18 MR. WAGNER: This is Steve Wagner with
19 Nashville Wire. I would give a similar answer.

20 At Nashville Wire, wire decking is one part
21 of three divisions, so all three divisions use wire
22 and we have a sufficient economy of scale there to
23 draw our own. If we were a little bit smaller it
24 probably would not be cost effective maybe to draw,
25 but we feel in our particular situation that it is.

1 MR. CASSISE: Okay. New question again
2 around the horn.

3 At the beginning of our period of
4 investigation, which would be around 2006, I'm curious
5 to know if you could estimate, and again if you don't
6 want to say this in a public forum you can put it in a
7 written submission afterwards.

8 But if you could estimate in 2006 how much
9 of your business was devoted to supplying the big box
10 retailers and by the end of the period of
11 investigation, '08 and '09, how much of that specific
12 business dropped off?

13 MR. SELHORST: I'll go first for J&L. I can
14 tell you that in '06 zero percent of our business was
15 from big box retailers, and at the end of '08 we
16 maintained that zero percent level of sales.

17 MR. CASSISE: Okay.

18 MR. SELHORST: So that's an easy answer.

19 MR. MACK: Todd Mack with ITC Manufacturing.
20 We'd much rather prefer to disclose that in our
21 posthearing brief.

22 MR. CASSISE: Sure. Does that go for
23 everyone?

24 MR. SELHORST: Let me just add, by the way,
25 just a quick comment about that.

1 Traditionally the big box sales would be the
2 higher volume or more standard sizes. It would be
3 predictably a market where you'd see low-priced
4 Chinese imports participating, and I think it's by
5 design that it was in our interest to avoid those
6 sales.

7 MR. CASSISE: And one of the witnesses
8 mentioned three distinct customer sets: The
9 distributors, the big box retailers and the OEMs.

10 I guess in your postconference briefs if you
11 can maybe divide out each of the companies on what
12 market segments that you participate in, and I guess
13 as a general question do distributors sell to big box
14 retailers or do they cut out that middle man?

15 MR. MACK: Todd Mack with ITC. In most
16 cases the big box kind of cut out the middle man and
17 go straight to the manufacturer --

18 MR. CASSISE: Okay.

19 MR. MACK: -- or to the importer.

20 MR. CASSISE: Mr. Mack, actually I had a
21 question for you.

22 In the petition, and you've mentioned it a
23 couple of times today, the imports from countries
24 other than China you estimated to be five percent or
25 less. I guess there's two questions. Number one, how

1 did you come to that number? And, number two, which
2 countries other than China are we talking about?

3 MR. MACK: My estimation was based on just
4 what I see in the market as far as who we're quoting
5 against.

6 Because the industry is fairly small, we
7 have a good idea of who we're quoting against, so
8 therefore you don't see much other than the people
9 around this table, if any, and then the importers.

10 The other companies that we see from time to
11 time is a little bit of product out of Mexico and
12 maybe a little bit out of Canada.

13 MR. CASSISE: And those are produced in
14 those countries or transshipped through China?

15 MR. MACK: For the most part produced.

16 MR. CASSISE: And you know what the names of
17 those producers are?

18 MR. MACK: Yes, I know a couple of the
19 names.

20 MR. CASSISE: Okay. If you could just put
21 those in the postconference brief, the names of those
22 companies?

23 MR. MACK: No problem.

24 MR. CASSISE: Mr. Mack, I think you also
25 mentioned a qualification process that new producers

1 or importers have to go through to sell to certain
2 customers.

3 If you could just expand on that? I mean,
4 which customers require that? How long does the
5 process take? What does it entail? If you could go
6 into that a little bit that would be helpful.

7 MR. MACK: Sure. Again, Todd Mack with ITC.
8 Basically on the distributor end there really isn't
9 much of a qualification process. What they do is they
10 have certain requirements. Most everything is driven
11 by a capacity.

12 They will ask for a certain capacity for a
13 deck to hold, so basically they'll give us a size that
14 needs to fit into their particular rack, and then
15 they'll ask for a capacity. In most cases after that
16 they leave it up to us on how to build the deck.

17 For some big box customers they'll have
18 their own specifications that must be met before
19 they'll be able to put your product in their
20 facilities.

21 MR. CASSISE: Now, does this process entail
22 just them giving you specs, or is it somebody that
23 comes to your production facility and inspects the
24 manufacturing process or the products?

25 MR. MACK: A little of both, but mostly what

1 will happen is, you know, most of them like to come
2 check out our facility to make sure that we can handle
3 the type of production that is needed.

4 And then on the other hand most times
5 they'll ask us for a sample, so we'll make samples for
6 them. They'll check wire gauges, diameters, spacing,
7 all the things that they're requiring from us to
8 produce their product.

9 MR. CASSISE: Okay. Is there a certain
10 group of customers that mandates this inspection and a
11 group of customers that don't?

12 MR. MACK: There are some customers at all
13 levels that like to see your quality, and then there
14 are some that basically just ask for a specific
15 specification and take what you give them.

16 MR. CASSISE: So it's fair to say that the
17 larger customers probably would require this?

18 MR. MACK: They scrutinize a little more.
19 Correct. And that's also because of safety reasons
20 and liability.

21 MR. CASSISE: And how long would this entire
22 process take?

23 MR. MACK: Depending. Two to three weeks
24 for you to build their product, for them to come out
25 and see your facility, depending on what their

1 schedule is.

2 MR. CASSISE: Okay. Mr. Rollins, you had
3 mentioned that Nashville imports from China. I was
4 wondering if you could talk about these imports a
5 little bit.

6 Are you supplementing a product line when
7 you import these decks from China, or are these
8 imports products that you produce in the U.S. or could
9 produce in the U.S.?

10 MR. ROLLINS: Definitely I could produce in
11 the U.S. They're essentially the same product, so I'm
12 supplementing my existing product line. Pretty much
13 they're indistinguishable.

14 MR. CASSISE: When you say pretty much
15 indistinguishable, would your customers notice any
16 quality issues from the Chinese decks versus your
17 decks? Do you tell them they're Chinese?

18 MR. ROLLINS: Absolutely. We put it on our
19 quote, Made In China. We're very forthcoming with
20 that.

21 One distinction. I mean, in some regards
22 it's the same product, but in some regards we didn't
23 want to mimic exactly what we had so, for instance,
24 our Chinese import product line is overwhelmingly zinc
25 plated just to kind of have a different offering than

1 our standard finish which we do domestically, which is
2 powder coated, but we have also imported powder coated
3 as well.

4 MR. CASSISE: Okay. So at this time you
5 don't make in your U.S. facilities the exact same
6 product that you import from China, although you could
7 if you wanted to?

8 MR. ROLLINS: No. I would say that there
9 are instances where we make the exact same product.
10 There definitely are. We make the identical product
11 in both places at times, yes.

12 MR. CASSISE: Okay. Okay. Ms. Beck, I just
13 wanted to ask you about the importers list that was in
14 the petition. I was wondering if you could tell us
15 how you compiled that list of U.S. importers and the
16 list of foreign producers.

17 As you mentioned in your testimony, there
18 were quite a few of them listed in the petition and
19 not as many responded as you probably had hoped, but I
20 was wondering how you compiled that list?

21 MS. BECK: We compiled the list primarily
22 from asking the various U.S. companies and then doing
23 our own independent research at companies that appear
24 to be producing wire decking.

25 MR. CASSISE: Was it based on a private

1 database based on the tariff schedule number?

2 MS. BECK: Based on product name.

3 MR. CASSISE: Based on the product name?

4 MS. BECK: Yes.

5 MR. LUBERDA: This is Alan Luberda. We did
6 it based on product name because there isn't a
7 specific tariff number that these products are
8 imported under.

9 We found that a number of different tariff
10 numbers that we listed in the petition were used at
11 one time or another in addition to having a specific
12 tariff that the Customs Service thinks it should come
13 in.

14 Most of the time it didn't come into that
15 number, so we did searches based on name in addition
16 to just general internet searches.

17 MR. CASSISE: Right. And that's why I bring
18 it up because the tariff number is, like you
19 mentioned, a basket category, and the importer and
20 foreign producer lists was large and we received a lot
21 of nos, which means these companies didn't deal with
22 this product.

23 MS. CANNON: Mr. Cassise, Kathleen Cannon.
24 Let me just add that we have tried to narrow the list
25 down a bit from the board 83 and however many were on

1 the importer list in the petition to try to identify
2 who some of the significant importers of the product
3 are. We noticed that quite a lot of those companies
4 did not respond.

5 We're going to put in our postconference
6 brief a little more specifics on some of the companies
7 that we think are still outstanding that are
8 significant importers of the product.

9 MR. CASSISE: And then that was my next
10 question. Thank you.

11 MS. CANNON: We will do that.

12 MR. CASSISE: I think that's all I have for
13 right now. Thank you very much.

14 MR. ASCIENZO: Thank you, Mr. Cassise.

15 Mr. St. Charles, do you have any questions?

16 MR. ST. CHARLES: I do. I have a couple
17 questions, and perhaps, Mr. Chamberlin, you spoke
18 about your understanding of the global market for this
19 product. Is wire decking consumed in any other
20 countries or is this a unique storage method in the
21 United States?

22 MR. CHAMBERLIN: I personally know that wire
23 deck is used on pallet rack in Europe, and in Canada,
24 and in Mexico. I don't have direct knowledge that
25 it's used elsewhere but I'm pretty sure that it is.

1 Rack storage is fairly common in industrial countries
2 that have storage requirements either because of their
3 manufacturing enterprises or because of their
4 distribution requirements and needs. Wire decking is
5 probably not as prevalent in those other countries
6 because some of the driving factors of decking in the
7 United States are things like fire codes and insurance
8 benefits by having used decking versus solid wood.

9 MR. ST. CHARLES: And to the extent it's
10 consumed in the EU, who manufactures what they are
11 consuming? Anyone?

12 MR. CHAMBERLIN: I do not have knowledge as
13 to who the manufacturers are in Europe. No.

14 MR. ROLLINS: Robert Rollins. Was the
15 question who are wire deck manufacturers in Europe?

16 MR. ST. CHARLES: That would be another way
17 of phrasing my question.

18 MR. ROLLINS: We've exported some to Europe.
19 Honestly, we've shipped more Chinese product to Europe
20 than we have our own product. Our supplier, our
21 primary supplier in China, you know, every time they
22 give us the excuse of why they didn't hit a delivery
23 date they tell us they are very busy with European
24 order, if that's true or not. And I know there are
25 deck producers in Australia.

1 We have sold jobs to the Middle East, back
2 to the previous question about where decks are
3 consumed.

4 Interestingly enough, I've never come across
5 a use of Chinese decks within China. I don't know
6 that our producers ever sells or targets or sells any
7 wire decking in China.

8 MR. ST. CHARLES: Thank you. Many of the
9 companies here today referred to the degree of
10 automation here in their facilities. How does that
11 compare, do we have any understanding of how automated
12 the Chinese producers are?

13 MR. WAGNER: This is Steve Wagner with
14 Nashville Wire.

15 Yes, I would like to answer that. You know,
16 as we said earlier, we are an importer, so part of the
17 process was to go over to China and to visit several
18 factories, and Rob and I have trenched through
19 probably four or five, and the level of automation in
20 a typical U.S. plant is light years ahead of what they
21 are doing over there, and it is very labor-intensive.

22 For instance, this may be a little -- we
23 won't be giving anything away to the competition --
24 roll forming, for example, when you go over to China
25 you might have two or three people kind of nursing

1 product through a rolling mill to form the channel at
2 20 or 30 feet a minute, whereas maybe the typical U.S.
3 manufacturer has one person running the mill, and it
4 could run between 100, 200. A modern rolling mill
5 could run 300 feet a minute if the pieces are long
6 enough, and that's just one example.

7 So they are very labor-intensive, very
8 rudimentary. All of their material handling is done
9 with people carrying the parts by hand through the
10 factory for the most part, you know, whereas in the
11 states we have more automatic conveyors, forklifts,
12 cranes, those kind of things.

13 I didn't see any automated mesh welding
14 equipment in China, although I can't say there is not
15 any, whereas here in the States nobody would make a
16 piece of mesh with a spot welder. They would make it
17 with an automated piece of equipment where you put the
18 wires in in one fashion or another, and the mess spits
19 out at the other end.

20 MR. ST. CHARLES: Thank you. This may have
21 been covered elsewhere. What are the different
22 applications that the coatings would limit or permit?
23 Let me clarify.

24 We have referred to galvanized, painted,
25 powder coated, so forth. Are there any differences in

1 the uses based on the coatings?

2 MR. ROLLINS: This is Rob Rollins, National
3 Wire.

4 For the most part the coatings are -- most
5 of the times we get RFQs, they just say whatever
6 finish is cheapest. So for the most part the coating
7 is not a driving factor with one exception which is
8 like the -- for instance, the lawn and garden center,
9 the big box retailer, it's an outside application,
10 oftentimes hot-dipped galvanized is specified, and
11 also in refrigerated environments where they are
12 storing food in a refrigerated warehouse, they might
13 also specify a hot-dipped galvanized. But short of
14 that, generally speaking, the finishes are seen as
15 interchangeable and not a driving criteria for our
16 purchases.

17 MR. SELHORST: Let me just add, this is Tim
18 Selhorst, we only make the galvanized product, and,
19 unfortunately, those specific applications where only
20 galvanized is required, unfortunately, are very small.
21 So we find ourselves competing consistently across all
22 different finishes -- powder coat, painted,
23 galvanized.

24 MR. ST. CHARLES: Thank you. And for Ms.
25 Cannon, we've identified many of the producers as

1 being also importers. If you could in your
2 postconference brief address the related-party issue
3 that implicated, I'd be grateful.

4 MS. CANNON: We would be happy to do that,
5 and I'll just say that our position is that none of
6 the domestic producers should be excluded because
7 their interests lie primarily in domestic production,
8 not in importing, but we will address the specifics of
9 that in our brief.

10 MR. ST. CHARLES: Thank you, and thank you
11 all for coming. I have no more questions.

12 MR. ASCIENZO: Thank you very much, Mr. St.
13 Charles.

14 Craig Thompsen, the economist?

15 MR. THOMPSEN: Thank you. Good morning.
16 Welcome to all of you again. I have a couple of
17 questions that are just very general so if we can, as
18 Kedaitis said, go around the horn with your answers,
19 I'd be very appreciative.

20 Mr. Mack described that purchasers typically
21 ask for just the specific size and the capacity. Do
22 they also ask for specifications typically, or say
23 type of coating, or the double waterfalling or
24 waterfall? I don't know if we want to start with Mr.
25 Brandon and go this way or?

1 MR. BRANDON: Mark Brandon from Nucor Wire
2 Products.

3 You will see a wide variety but typically
4 it's very generic in specifications. It may be based
5 on weight. It may be that they want an inside
6 waterfall, depending on the rack system that they
7 have, but most of those racks are very interchangeable
8 so it becomes specific to the size of the rack that
9 they are putting on. Other than that it's very
10 generic.

11 MR. YOUNG: This is Ron Young from
12 Wireway/Husky.

13 Our standard production is galvanized, but
14 we do offer painted if the customer requests it, and
15 that is almost never. Painted doesn't seem to be an
16 issue as far as our particular customers are
17 concerned.

18 MR. THOMPSEN: Mr. Chamberlin?

19 MR. CHAMBERLIN: Craig Chamberlin from AWP.

20 I believe your question was what's the
21 typical amount of detail that a customer specifies and
22 requests a quote from you? And Mr. Brandon summed it
23 up quite well. They've already selected the rack or
24 they already have the rack in place, so they give us a
25 depth, the beam lengths which allows us to determine

1 what size of deck and how many decks are required, and
2 they'll specify the capacity, and unless it's a
3 unusual application where they are trying to put
4 bowling balls on a deck instead of pallets, or as Mr.
5 Rollins said, it's going to in refrigerated units and
6 now the finish becomes generic to the request, the
7 request basically just consists of the quantity, the
8 size, and the capacity the deck has to provide, and
9 lastly, whether the rack has got step beams, which is
10 what's over here, or whether it's a rack that's what
11 is called structural box beam, or you now have to
12 create a deck that's got a flared channel, and that's
13 probably -- that degree of specification probably
14 accounts for 90 plus percent of the quotes we get.

15 MR. ROLLINS: Rob Rollins, Nashville Wire.

16 I think the amount of specificity expressed
17 is kind of the function of the purchasers and their
18 level of sophistication, but generally speaking it's
19 very cut and dried. I would say the overwhelming
20 majority it's like I need some 42/42, 2500 pound
21 capacity deck, I need 3,000 of them, and sometimes
22 they don't even both tell me if they want, you know,
23 if it's step beam or flared, and then we have to go
24 back and ask, but really it's pretty much that cut and
25 dried.

1 It becomes less so if you've got, you know,
2 a Lowe's, and they have their spec mailed you know,
3 this is my wire spacing I want, this is the load
4 capacity, this is the number of support channels, this
5 is the tolerances, that pretty specific.

6 But for the -- we are a very transactional
7 business. We all fill lots of quotes and orders every
8 day, and for most of them it's in an e-mail, send me a
9 quote for 200 42/48, 2500 pounds per step beam.

10 MR. MACK: Todd Mack with ITC.

11 The only thing I could possibly add is that
12 the only other specification they may specify is if
13 they have a waterfall like on the beam currently, or
14 sometimes they specify an inside waterfall. If they
15 want to put pricing strips or something, that's all.

16 MR. THOMPSEN: Okay.

17 MR. RUDOLPH: Jim Rudolph, J&L.

18 I'm not quite sure what else I can add
19 because it is, unfortunately, pretty simple. I mean,
20 it can be an e-mail that's got three letter or three
21 lines on it saying this, this, and this quantity. But
22 you can get to the big box, and it will be a little
23 more detailed, but they've pretty much covered it.

24 MR. THOMPSEN: Are imports from China having
25 a larger influence on prices in any geographic region

1 of the United States than in any other region or is it
2 completely nationwide the same?

3 MR. ROLLINS: Rob Rollins. I think it's
4 pretty much fair to say it's nationwide. I mean, they
5 are represented pretty much in every major metro area
6 and market.

7 MR. CHAMBERLIN: And I support what he said.
8 Craig Chamberlin from AWP. What Mr. Rollins said is
9 correct, it's nationwide.

10 MR. THOMPSEN: Okay, thank you.

11 MR. CALDWELL: I would like to add to that.
12 In the western United States, obviously because
13 transportation is much closer, we are seeing a much
14 more significant impact in the western United States
15 than the rest of the country, and I would say that's
16 true as well as most of the port cities.

17 MR. THOMPSEN: Okay, thank you. Mr.
18 Selhorst?

19 MR. SELHORST: I feel bad for Johnnie, it's
20 probably harder in the West, but I can assure you that
21 in Minnesota we are also feeling the impact of Chinese
22 imports.

23 MR. ROLLINS: And I think some of that, you
24 know, where Johnnie is used to selling and competing
25 the most, but I mean, we're based and headquartered

1 out of Nashville, Tennessee, and the biggest job for a
2 company called Federal-Mogul back in 2006, I think it
3 was, and that was an order we lost to Chinese import
4 five miles down the street from our plant.

5 MR. THOMPSEN: Do Buy-American provisions
6 ever come into effect for any of your sales?

7 MR. ROLLINS: Rob Rollins.

8 Extremely rarely. I mean, maybe 1 percent
9 of the time if I'm doing a military installation there
10 is a Buy-American provision, but extremely rarely.

11 MR. THOMPSEN: Okay. Thank you.

12 As a matter of cost saving, have you been
13 switching to any kind of larger grid sizes or thinner
14 wire or fewer channels or any other cost-saving
15 manners that you've seen the industry? Anyone can
16 answer or we can go around the table.

17 MR. SELHORST: Yes, I would be glad to
18 answer that. You know, I think that we all try to
19 avoid by some sets of standards with regard to the
20 load-bearing requirements of the deck. We're all
21 under tremendous cost pressure, so we are all doing
22 what we can from an engineering standpoint to use as
23 little material in the deck as we possibly can without
24 sacrificing the load requirement.

25 We've gone through design adjustments and

1 design changes on decks that we've made in the past
2 several times to try to reduce its cost. So that,
3 yes, there has been changes in the gauge of the wire,
4 spacing of the grid, the channels, in order for us to
5 try to reduce costs.

6 MR. WAGNER: I would just like to jump in
7 here and add that a lot of that lightening of the part
8 happened before 2006. When I came to Nashville Wire,
9 or really prior to when I got there, the constructions
10 were much heavier, and through testing methods and
11 some other things, you know, we were able to more --
12 more able to refine exactly, you know, how to hit
13 those capacity. If somebody wanted 2500 pounds, we
14 would have to give them a 3,000 pound deck because
15 we're worried about is this really 2500, so with that
16 increased expertise and precision we can give a more
17 exact price.

18 But most of that lightening of the part
19 probably took place between, I'd say, between '98 and
20 2004 more so than between 2006-2008, you know. I
21 would say that there is less cost savings there than
22 there were 10 years prior.

23 MR. THOMPSEN: Thank you.

24 It was noted earlier in testimony that wire
25 decking is something that is necessitated by certain

1 insurance companies. Could you submit for the record
2 in your home states or in other states a simple
3 representative sampling, the requirement of those
4 states that show that wire decking is something that
5 is necessary for the insurance purposes? Mr.
6 Chamberlin?

7 MR. CHAMBERLIN: The National Safety Fire
8 Codes don't specify a wire deck; instead they specify
9 as a minimum of 50 percent open space meaning that
10 when you put the surface support of some kind on a
11 rack, that the area that's bounded by the rack is at
12 least still 50 percent open. The point being to allow
13 sprinkler systems to effectively let water cascade
14 down through the rack versus not.

15 The opposite would be if you put a solid
16 piece of plywood on the top level of a rack, and the
17 sprinkler system is turned off, that plywood is just
18 going to shed the water and it's not going to run down
19 to the rack, okay.

20 So those are national fire codes. I'm sure
21 each state and each municipality in a given state
22 augments and has their own additional refinements to
23 fire codes, but if I understood your question the
24 source that has driven the insurance companies or has
25 had the insurance companies realize that they are

1 better able to prevent loss in a warehouse, in a
2 storage facility, whatever, is the requirement of the
3 open space to make effective the sprinkler systems;
4 not calling out a wire deck per se.

5 MR. THOMPSEN: Okay. Then, Ms. Cannon,
6 could you submit those national fire codes?

7 MS. CANNON: Yes, we will put that in our
8 brief.

9 MR. THOMPSEN: Thank you very much.

10 MR. CALDWELL: I would like to -- this is
11 John Caldwell with IGC, I would also like to expand on
12 that a little bit.

13 Prior to wire decking is what they used to
14 use is wooden shelving or something made maybe of
15 purely metal. So basically the sprinklers couldn't
16 penetrate each individual level, and what they used to
17 have to do is they used to have to sprinkler every
18 level. So let's say you had eight levels in a big box
19 store. You could literally walk in those old stores
20 and you would see sprinkler systems running through
21 every level in order to meet fire code.

22 So since the invention of wire decking that
23 is no longer the case. You only have to sprinkler,
24 obviously, from the ceiling.

25 MR. THOMPSEN: Thank you, Mr. Caldwell.

1 We heard earlier today also that, I believe
2 from Mr. Rollins, that most of the decks that come
3 from China are galvanized. Have we seen more loss of
4 sales on the galvanized side than on the painted side,
5 or has it been fairly even between the two?

6 MR. ROLLINS: Robert Rollins, Nashville
7 Wire.

8 I think over time the Chinese decks --
9 started out the majority galvanized, now I think it's
10 probably 50/50 galvanized/painted. But the loss of
11 the sales, like I said, the products are freely
12 interchangeable, and the finish is not a buying
13 motivator generally speaking with the exceptions of
14 the refrigerated warehouses or outdoor lawn and garden
15 centers. So you know, you're likely to lose a
16 domestic painted deck sale to a Chinese as a plated
17 deck, so it's not one or the other. They are freely
18 interchangeable parts.

19 MR. THOMPSEN: Thank you.

20 Other thoughts? No. Okay, I'll go --

21 MR. BRANDON: One thing --

22 MR. THOMPSEN: Mr. Brandon.

23 MR. BRANDON: -- Mark Brandon, Nucor Wire
24 Products.

25 We only paint decks and we are still losing

1 significant market share to the Chinese deck, so I do
2 not believe there is any correlation between painted
3 versus galvanized. It's across the board.

4 MR. THOMPSEN: Okay. Thank you.

5 It was noted in the petition and also today
6 that the prices for wire decking fell from the third
7 quarter of 2008 until the first quarter of 2009. Over
8 that timeframe the prices of steel wire rod fell by 37
9 percent, and hot-rolled sheet fell by more than 52
10 percent, at least according to one publication.

11 Have you seen a decrease in your cost of
12 these inputs over that timeframe as well, or are you
13 stuck in contracts for your inputs at a much higher
14 price than what we've seen these price decreases for?

15 MR. SELHORST: You know, I can address that
16 from the standpoint of J&L, and yes, indeed, we've
17 seen drops in the costs of our inputs. The sad story
18 of this industry is through the steel inflationary
19 period of 2008 where prices of steel went up more than
20 double, we did not retain the pricing power in the
21 industry to maintain the margins as they went up.

22 Concurrent, you know, the prices did go up
23 somewhat. Concurrent as prices began to come down, we
24 were certainly not able to maintain any pricing power
25 in the marketplace. So if we had had any inventory

1 overhang, we did have a little. You know, we were
2 forced to reduce price prior to realizing the arrival
3 of the lower cost material, so we were really hit on
4 both sides. You know, the difficulty of that
5 inflationary cycle was kind of a double whammy for us.

6 MR. CHAMBERLIN: I would like to speak to
7 your question. Craig Chamberlin from American Wire
8 Products.

9 If I read between what I thought you were
10 asking is have we been hamstrung in our ability to
11 have effective pricing today because we made
12 commitments on steel two, four and six months ago at
13 higher prices. I thought that was the essence of your
14 question.

15 The answer is, no, not at all at AWP. The
16 prices that I quote today are based upon the steel I
17 can buy today, be it at spot prices, be it et cetera.
18 AWP's contracts for steel, be it wire, be it slit
19 coils, is usually for the current month and doesn't go
20 beyond that, and the amount of inventory that we carry
21 on our floor is literally hours and says, not weeks
22 and months.

23 So the point that I made strongly in my
24 testimony which is that when I'm comparing a price
25 that a distributor would make me aware of that he can

1 buy Chinese deck at, and then my point was I compare
2 it to what my costs are, and in many cases that price
3 delivered, shipped in from China, delivered to a
4 location in the United States is less than what I can
5 make it for. When I am making that assertion, it's
6 based upon today's steel price, not the fact that I've
7 hamstrung my corporation with a commitment from two
8 and three months ago for steel at a might higher
9 price. So it's apples/applies in terms of current
10 steel costs.

11 MR. THOMPSEN: Mr. Rollins?

12 MR. ROLLINS: For the most part we spot buy
13 our sheet steel so, no, we don't have any long-term
14 contracts. We begrudgingly go with the market on the
15 upside and buy, you know, aggressively on the
16 downside, so we just kind of follow that egg to the
17 snake so to speak.

18 One thing, I mean, you know, because of our
19 size we have an affiliated company is our wire buyer,
20 it's a separate corporate entity than Nashville Wire,
21 but we are our own biggest customer, so to speak, and
22 we have probably a little bit more inventory overhang
23 that Tim mentioned, maybe than some of our
24 competitors, meaning, you know, we had to burn off
25 some higher priced inventory during -- because it was

1 a pretty precipitous drop from the end of '08 into the
2 first quarter of '09, and you know, we gave it up on
3 our selling price way in advance and never realizing
4 it on a material cost because, you know, we had to to
5 remain competitive with the import product.

6 MS. BECK: And Mr. Thompsen, if I can also
7 just add what the U.S. producers have been
8 experiencing as the U.S. prices have been declining.
9 I mean, not only has there been a cost decline, but
10 the U.S. prices have declined at a faster pace, and
11 that has been because in the first quarter
12 particularly, and some of the producers can attest to
13 this, but they have seen some of the lowest quotes
14 coming on from China during that period and into the
15 third quarter.

16 MR. THOMPSEN: Thank you. I would love to
17 see an analysis of that in your postconference brief.

18 MS. BECK: We will do so.

19 MR. THOMPSEN: Thank you.

20 Just one last avenue I'd like to explore.
21 Wire decking seems to be a product with a fairly long
22 life span. How long does a deck typically last?

23 MR. ROLLINS: Rob Robbins, Nashville Wire.

24 Forever, but to qualify that obviously, you
25 know, generally it's in a warehouse, it's inside,

1 it's made of steel. They use them for a century
2 before corrosion becomes effective. Usually the end
3 of a deck becomes because the warehouse is sold, the
4 product mix has changed, they want to re-lay it out,
5 the rack gets damaged, forklift damage over the years,
6 and a lot of times you will just see they will tear it
7 all down and replace it, so it just kind of moves with
8 the real estate cycle of a warehouse or distribution
9 center.

10 On the retail side, maybe the life span is a
11 little bit shorter. A retailer might want to -- an
12 aging store might want to give it a facelift every 10
13 years, so they might come in, and they do re-
14 merchandizing or re-fixturing the store, they will
15 just clean it out to bare bones and a fresh coat of
16 paint and start from the ground up because retailers
17 are very image conscious, unlike a warehouse or
18 distribution center, so there may be a slightly
19 shorter life span there.

20 MR. THOMPSEN: What proportion of sales then
21 are for new structures versus replacement decks, in
22 general?

23 MR. ROLLINS: I think we might all slightly
24 differ on this. I would say 60 percent, maybe 70
25 percent new structure and 30 or 40 percent just re-

1 merchandize or resetting of an existing facility.

2 MR. THOMPSEN: I see you shaking your head,
3 Mr. Caldwell. Do you agree?

4 MR. CALDWELL: I would agree with that. I
5 think that we figured it out to be somewhere around
6 80/20; 20 percent being replacement. We see a lot of
7 damaged product out in the marketplace by forklifts,
8 safety issues, changing product lines, reorganization
9 of warehouses. So from our numbers we see it
10 somewhere in the 80/20 range.

11 MR. CHAMBERLIN: Mr. Chamberlin from AWP.

12 I would probably be more where John's
13 numbers are of 80/20, but I think the correct way to
14 ask the question is not new construction; it's to talk
15 about how much decking goes on new racks, which would
16 be 80 percent versus how much decking is going on in
17 existing racks. Because a lot of times you will have
18 people who will install a rack system, and not put on
19 decking; for whatever reason putting pallets on, and
20 then at a later point in time change and decide they
21 want to add pallets to that existing rack -- I mean
22 decking to that existing pallet rack.

23 MR. RUDOLPH: This is Jim Rudolph with J&L.

24 I would agree closer to Johnnie's numbers or
25 if not even higher from our perspective. As Tim

1 referred to earlier, we do very little with the big
2 box. We are the people that are doing a lot of the
3 re-merchandizing. So I would almost say it's 90 - 95
4 percent for new type applications, and there are some
5 replacements when a forklift will damage it and that
6 type of stuff, but it's minuscule.

7 MR. THOMPSEN: Mr. Chamberlin, if I may go
8 back to one thing that you just said. If we were to
9 look at other gauge of demand then, we should be
10 looking at the installation of new pallet rack sums as
11 opposed to new warehouses being built?

12 MR. CHAMBERLIN: If you'd ask your question
13 again sir?

14 MR. THOMPSEN: Sure. According to what your
15 testimony was saying, at least in my perception, that
16 the correct metric to look at would not necessarily be
17 new warehouses being built or new commercial
18 construction; what should be looked at instead would
19 be new pallet rack systems being installed.

20 MR. CHAMBERLIN: If you're trying to
21 determine what the --

22 MR. THOMPSEN: If you're trying to determine
23 say an overall gauge of demand for wire decking.

24 MR. CHAMBERLIN: Not to appear to contradict
25 myself, because I don't believe I am, okay, you can

1 have a facility be built, say a 500,000 square foot
2 warehouse, and the phase 1 will be to put up a quarter
3 million square feet worth of rack, okay. And then
4 they will come back six months or a year and six
5 months later and do phase 2, which may not be the
6 other half, it may be just a third or more, and so if
7 you looked at new construction, that construction
8 wouldn't necessarily drive a full warehouse full of
9 racks at the outset, and then again it may well. But
10 from a Lowe's or a Walmart store they rack the entire
11 thing, but a lot of distribution centers, they're done
12 in phases.

13 The only point I was trying to make is that
14 in terms of demand that most decking does go up when
15 new rack goes up, but as I just said it doesn't
16 necessary have to mean it's going into a new
17 construction; most likely it will be, okay, and then
18 the remainder is that which will be installed on
19 existing rack.

20 The basic driver of material-handling
21 products in general, not just rack, not just decking
22 but material-handling products in general is the
23 U.S.'s industrial output, be its direction. Is output
24 going up? Is it going down? And most demand for
25 storage is driven by either the increases or the lack

1 of demand by the decreases in industrial output rather
2 than just an indicator as to new construction building.

3 New construction, obviously, is going to go
4 the same -- well, you're an economist, you tell me. I
5 assume that new construction is going to follow the
6 trend of whatever industrial output is doing, so they
7 really goes hand in hand if that would be a different
8 way to say it.

9 MR. THOMPSEN: And has there been an effect
10 of big box stores or a movement toward super
11 warehouse or super distribution centers in the United
12 States, and if so, has that affected your sales? I'm
13 thinking of Walmart or Home Depot or whatever trying
14 to open up very, very large distribution centers
15 rather than smaller distribution centers. Have you
16 noticed any kind of increase in demand from this or
17 have you noticed this phenomenon happening?

18 MR. SELHORST: You know, I can quickly
19 comment because one of the reasons why we made an
20 acquisition in 2007, and I'm disappointed to report
21 that we have seen no impact from such expansion
22 because that is where, as I said earlier, that's where
23 we see most vociferously the competition from low-priced
24 imports. So we are not participating at that point.

25 MR. THOMPSEN: Mr. Mack.

1 MR. MACK: This is Todd Mack with ITC.

2 We do supply decks to big box stores, and
3 they do obviously expand throughout the years.
4 Recently, as I said in my testimony, we had a big box
5 store who we lost a large amount of business to an
6 importer, Mighty Lift. In that instance they offered
7 a price, this big box store offered them a portion of
8 the contract, and I should have brought this to your
9 question, they did not meet all the requirements of
10 that customer. So basically what they did for the
11 period of the full contract was as we replaced their
12 portion of the contract, because they couldn't fulfill
13 their quality requirements, and during that point we
14 went to a second bid and they received even a larger
15 portion of the company, and at that point they asked
16 for one of our petitioners setting in the room here to
17 send them samples of every SKU number for that
18 location, and then had us train them on how to take
19 out the store.

20 So currently we trained the import to take
21 away our business, and currently that's what they're
22 doing because of the low prices that they offer.

23 MR. ROLLINS: Robert Rollins, Nashville
24 Wire.

25 I would like to add to that somewhat

1 infamous incident in our industry. The big box store
2 shall remain nameless strong-armed us to ship one of
3 each deck skew to the Chinese supplier and actually I
4 found out about it not from my employee, my national
5 councilman. I was looking at the order file and I saw
6 this order from an arch rival and an importer of mine,
7 what is the world are we sending them? Well, the big
8 box part is for, and anyway I found out about that,
9 and was quite upset, and really what it demonstrates
10 is there zeal, because I mean I've been told by the
11 buyers, we are going to have a Chinese supplier. We
12 were going to keep a Chinese supplier in this mix. I
13 mean, he way we were treated, you know, we supplied
14 the sample, I mean physical samples with the finish
15 and everything to that supplier so they could send
16 them to China and copy them directly, and the way they
17 made them train their replacements seems pretty
18 strong-arm tactics, and I think the reason they keep
19 this Chinese supplier in the mix is to hammer down
20 price, keep us in line.

21 MR. THOMPSEN: Thank you very much.

22 I don't believe I have any other questions
23 so I will turn it over to my colleagues.

24 MR. ASCIENZO: Thank you very much, Mr.
25 Thompsen.

1 We turn to Mr. Houck.

2 MR. HOUCK: Thank you and thanks to the
3 panel for coming, and your presentations today, very
4 interesting. One fact that strikes me is, even though
5 there has been a lot of discussion about this as a
6 wire product, that overall the product is both a wire
7 and a sheet product, and I wonder if any of you would
8 like to venture any information on the relative weight
9 and/or cost contribution of the wire versus the sheet
10 that goes into a decking product.

11 MR. WAGNER: Steven Wagner with Nashville
12 Wire.

13 It varies greatly with each part and its
14 individual characteristics and what that customer
15 might be requiring in terms of capacity, or sometimes
16 a customer might want more surface area to place small
17 boxes, so we'll put more wire on that part, for
18 example.

19 If you just want me to pull a rule of thumb
20 out, I would say 60/40 wire to sheet.

21 MR. BRANDON: Mark Brandon Nucor Wire
22 Products.

23 We have done that analysis and on a standard
24 deck, as we would call a standard 42/46, 2500 pounds
25 deck would be a 40/60 split.

1 MR. HOUCK: Mr. Rollins, you commented about
2 the use of galvanized deck for refrigeration
3 warehouses and outdoor lawn and garden centers, and
4 just to be more specific about that, is that a
5 requirement for galvanized product as hot-dipped after
6 fabrication or would the pregalvanized products, such
7 as that manufactured by J&L or Husky --

8 MR. RUDOLPH: Am I allowed to answer that?

9 MR. HOUCK: -- suit for that application?

10 MR. RUDOLPH: Jim Rudolph, J&L.

11 MR. HOUCK: Okay.

12 MR. RUDOLPH: We currently support Home
13 Depot for that application.

14 MR. HOUCK: Okay, thank you.

15 MR. ROLLINS: Rob Rollins, Nashville Wire.

16 Actually I'm a little surprised by that.
17 Generally speaking the specification for an outdoor
18 application is hot-dipped galvanized, but I would say
19 there are instances where they will take a
20 pregalvanized product, you know, a wire deck assembled
21 of galvanized components before production. But
22 generally speaking in a refrigerated environment and
23 for outdoor, and I don't mean to emphasize like this
24 is a significant share of the market. If I had to
25 throw out a number, I would say, gosh, less than 4 or

1 5 percent, like that, would be those two applications.

2 But usually, I mean, the big boxes, I did
3 not know about that particular one, but usually they
4 specify hot-dipped galvanized. I think they would see
5 the zinc-plated as unacceptable.

6 MR. HOUCK: And when you say hot-dipped
7 galvanized, you're referring to hot-dipped galvanized
8 after fabrication?

9 MR. ROLLINS: Yes sir.

10 MR. HOUCK: Does anyone else want to comment
11 on that?

12 As you all know, Mr. Thomsen and I had the
13 opportunity to visit the Nashville Wire operations a
14 week or so ago, and one of the things that impressed
15 me there was the size and the investment that was
16 necessary for the finishing of the product, the paint
17 line that they had in there, and it strikes me that
18 when the product is made out of pregalvanized
19 components such as that by J&L and Husky, that's an
20 operation that would not be required, rather
21 substantial operation, and it also strikes me that,
22 for example, those of you who are doing the finishing
23 if you chose to use pregalvanized stuff could obviate
24 that operation, and I wonder if you have any comments
25 about that, as to why you use the painted or coated as

1 opposed to using the galvanized components, and I
2 guess I would direct this to Mr. -- Mack or Mr.
3 Caldwell.

4 MR. CALDWELL: This is John Caldwell of ITC.
5 Basically the two offset each other. We've done a
6 number of different analysis basically, and one of the
7 things that we do is we buy wire rod directly from the
8 mill, we draw it down, and so one of the things is we
9 get huge savings by doing that.

10 If we were to buy pre-galvanized wire,
11 basically we would have to out-source that or have
12 large investment in zinc tanks in order to pre-coat
13 that wire.

14 So basically the pre-coating of galvanized
15 wire is just as expensive as having a large powder
16 coating line or painting line. So we've done the
17 analysis a number of different times and they really
18 offset each other.

19 MR. WAGNER: This is Steve Wagner with
20 Nashville Wire. I just wanted to add that we also,
21 everybody here sits around and figures out how to try
22 make the part a little bit cheaper if we can, or less
23 expensive so we can bring some more value to the
24 customer.

25 We also have a dip galvanizing line. We

1 could be dip galvanizing the wire and fabricating as
2 J&L does, for example, but this is just our opinion.
3 And I'll tell you, it's not always that cut and dried.
4 I'd say I'd agree with Johnny, it could be pretty
5 close.

6 The cost difference is probably negligible
7 in the overall cost of the part.

8 MR. SELHORST: This is Tim Selhorst
9 speaking. Let me just point out something in your
10 argument there.

11 So what you're recognizing in the
12 fabricating process, in our fabricating process, is
13 the lack of a painting or powder coating system at the
14 end. But if you go back into our process we have this
15 rather sizeable EPA mess called a galvanizing line
16 sitting in the middle of our wire mill. I think a lot
17 of folks would probably prefer, from a cost
18 standpoint, to make their investment in their painting
19 line or their powder coating line as opposed to pre-
20 galvanizing wire.

21 We're also a fabricator of galvanized wire
22 for sale on the open market as well, so that's part of
23 the way we're trying to defray that cost.

24 MR. HOUCK: I take it that some of this
25 Chinese product that comes in here called galvanized

1 is galvanized by a different process than what we've
2 been talking about here. That is it's possibly
3 electroplated with zinc after fabrication as opposed
4 to being fabricated out of galvanized steel products.
5 Am I correct on that? And would anyone like to
6 comment on that as a competitor to the galvanized
7 products that you're making?

8 MR. CALDWELL: This is John Caldwell with
9 ITC.

10 Yes, it's a more labor intensive
11 application, more expensive. Capital equipment is
12 more expensive to basically run and manage. That
13 particular equipment basically is what happens after
14 manufacturing of a wire deck. You would then take the
15 wire deck to basically a cleaning and coating
16 operation which would then put the zinc onto the
17 product. So that would be the process that would take
18 place if you were to electroplate or zinc galvanize.

19 MR. ROLLINS: Also, Robert Rollins,
20 Nashville Wire.

21 Steve and I have been to China a number of
22 times and toured both wire fabricators and galvanizing
23 operations over there, zinc electroplating operations.
24 Actually, I'm going to disagree with what Johnny said
25 because he was speaking from a domestic producer's

1 point of view. Domestically, yes, it would be more
2 expensive to zinc electroplate, mostly because of the
3 environmental compliance issues associated with that.

4 In China, however, it's actually generally
5 speaking more cost effective. They don't want to have
6 to make a big investment in powder coating in China,
7 and to put in a simple wash and electroplate operation
8 is actually a much lower capital investment over
9 there. They don't have the environmental compliance
10 and regulation issues that we confront here.

11 They do it mostly because it's cost
12 effective.

13 But like I said, our supplier out-sources
14 their zinc electroplating, our primary supplier our-
15 sources their zinc electroplating and they in-house
16 powder coat now, partly because we've asked them to do
17 that and I'm sure they also saw other opportunities in
18 the marketplace for powder coated product.

19 But yes, most of the product from China that
20 has zinc on it is zinc electroplated.

21 MR. HOUCK: Thank you for your responses.

22 I have no further questions.

23 MR. ASCIENZO: Thank you, Mr. Houck.

24 Now we turn to the supervisory investigator
25 Jim McClure.

1 MR. McCLURE: Jim McClure, supervisory
2 investigator.

3 Since a number of you have been in
4 facilities in China, in Ms. Levinson's opening remarks
5 she suggested that customers went to China for better
6 service, better quality, yada, yada, yada. Yet we
7 seem to have a description of an industry that is
8 smaller operations than we would see here in the
9 United States. Perhaps the operation of Dalian
10 Eastfound is larger. Could you comment or give me a
11 general reaction to quality issues, service, et cetera
12 from the Chinese producers?

13 MR. WAGNER: Having imported from several
14 different manufacturers in China, I'll tell you that
15 just like a U.S. manufacturer would, they can make
16 mistakes, they can misinterpret what the requirements
17 are just as we can. I've seen very good high quality
18 parts from China that are indistinguishable from U.S.
19 manufactured parts, and I've seen substandard parts.
20 But I've seen substandard parts built here in the
21 States as well.

22 Price is the overriding factor in our
23 industry. The quality level is expected, it's fairly
24 low, but that's expected. Now what's the price?

25 So I would say the quality is fairly similar

1 between the U.S. and what I've seen in China.

2 MR. RUDOLPH: Jim Rudolph, J&L.

3 One of the other things you mentioned was
4 the service. I can speak for us. We actually have a
5 shipping location in Nevada. We have a shipping
6 location in Ohio. I don't want to speak for my
7 competitors, but they do have shipping points
8 throughout the United States, that we can service the
9 customers just as well and the product is very similar
10 and it really always comes down to what is the price.

11 MR. McCLURE: Mr. Mack, I believe you said
12 you had been to China?

13 MR. MACK: No, I have not.

14 MR. McCLURE: Okay, so it was just
15 Nashville.

16 Just out of curiosity, have you been in the
17 Dalian Eastfound facility?

18 MR. ROLLINS: I have not.

19 MR. McCLURE: For me right now, I just want
20 to thank you for your testimony. My colleagues have
21 done a very thorough job of questioning and with that,
22 I will pass the microphone back to Mr. Ascienzo.

23 MR. ASCIENZO: Thank you very very much for
24 your direct testimony and all of the answers to all of
25 the questions you've given us so far. I do have a few

1 follow-up questions.

2 Ms. Levinson in her opening remarks
3 indicated that there's been general economic downturn
4 that's been quite severe. So how would you counter
5 her argument that your lost sales and your downturn of
6 profits are the result of that instead of Chinese
7 imports?

8 MS. CANNON: Let me start, and then let the
9 other industry members weigh in.

10 We constantly are hearing this lately in
11 some of these trade cases, and we are not denying that
12 there was an economic downturn and that the economic
13 downturn affected the industry. But the legal
14 standard is only whether the imports are a cause of
15 the injury, and further, the Commission is instructed
16 to take into account other conditions of competition
17 affecting the industry which specifically include,
18 according to the legislative history, demand in the
19 market and a decline in demand. And where there is a
20 decline in demand the legislative history says an
21 industry may be even more vulnerable to the affects of
22 imports.

23 That's exactly what you're seeing here.
24 You're seeing a downturn in demand that is putting
25 these producers in a very difficult position. Then

1 what has happened to intensify that and cause the
2 severe downturns in financial position in particular
3 is intensified import pricing that's undercutting
4 these producers continually, and increasingly into the
5 first quarter of 2009. When you have that
6 combination, that's what's caused the problems.

7 I know because several of the industry
8 members have told me, and they can elaborate, that
9 there have been other periods where there have been
10 downturns in demand and they have not experienced the
11 problems that they have right now.

12 So let me let them add to that, but that
13 general legal context should be remembered.

14 MR. SELHORST: Tim Selhorst.

15 I was going to reiterate what Kathy said
16 there, which is indeed, I don't think anybody at this
17 table would argue that the economic downturn has had
18 an impact on our ability to perform. The difference I
19 think is that in order for us to try to get ourselves
20 through this difficult period we're looking for sales
21 and our capability to find sales at a level that is
22 not ending up in a complete loss is very difficult
23 given the price of these Chinese imports.

24 I think I also heard her say, or
25 Respondent's counsel say, that 2006 and 2007 was I

1 guess a reasonably robust time. During that period of
2 time we, according to our Petitioners' data,
3 experienced a reduction in our operating income to net
4 sales. It had nothing to do with the economy at that
5 point in time, apparently, according to what she
6 indicated. It had everything to do with the fact that
7 we were dealing with low priced imports.

8 So I think consistently throughout the
9 period of investigation the impact of low-priced
10 imports has caused us to realize the injury that we're
11 experiencing right now.

12 MR. CHAMBERLIN: Craig Chamberlin from
13 American Wire Products.

14 If I could add to what Mr. Selhorst said and
15 Ms. Cannon. I was thinking again about this last
16 night, trying to make this as straightforward and as
17 simply put. There's no denying that since the fourth
18 quarter of last year the national economy has led to a
19 reduction in industrial output. And as we were
20 talking earlier, that's led to a reduction in people
21 requiring all material handling storage items
22 including wire decking.

23 My company is running at a level of volumes
24 today comparable to what it was running at let's say
25 four or five years ago. But I made money four and

1 five years ago. You may say well, if you made money
2 four or five years ago, why can't you make money
3 today? We've already taken one factor off the table
4 which is in response to Mr. Thomsen, my seal costs are
5 today's seal costs, so I'm not struggling today
6 because I'm working with costs from three and five
7 months ago.

8 The difference between 2009 that began to
9 occur also in 2008, 2007, and going back further is
10 that there's been a constant erosion in the profit
11 margin that can be charged for products when,
12 especially when you're talking large quantity buys
13 that obviously represent a significant portion of our
14 overall volumes. When we're talking about in order to
15 lay claim to those sales progressively it's gotten to
16 where today the price I'm being asked to match is
17 basically equal to my manufacturing costs, or less.
18 When they're equal to, I've made zero margin off those
19 products. I've done nothing to contribute to
20 recovering the other remaining expenses of my
21 business.

22 So the difference between today versus the
23 four and five years ago, we're basically running at
24 the same level of volumes, is I can't achieve the
25 margin any longer today that I was before because I

1 now have a competitor who is pricing his product at a
2 point that is causing me most often to have to just
3 basically recover my steel and labor costs, and
4 sometimes if I think it's worthwhile to even do less
5 than that.

6 So that's the fundamental difference between
7 today and several years ago, and it's not a
8 consequence of the last nine months. As Tim said, the
9 last nine months have exaggerated the fact now that
10 there is a lesser level of demand which makes it even
11 now more, which even heightens now the level to
12 addition to the Chinese importers, people trying to
13 lay claim to volumes when the overall pie has been
14 shrunk.

15 But the fundamental thing that's happened
16 that I'm sure the economists can fully grasp is that
17 the import of dumped product subsidized that causes us
18 U.S. competitors to try to match is to take all the
19 margin out of the variable results of selling our
20 product which leaves you basically with nothing to
21 cover everything else, which is why we end up in the
22 financial consequence. The recession has just made
23 that even more pronounced. It was true two and three
24 years ago.

25 Thank you.

1 MR. ASCIENZO: Thank you very much for those
2 responses.

3 Turning again to opening remarks by Ms.
4 Levinson, I don't want to misquote her, but I thought
5 she said that her client turned to Chinese sources
6 because of quality concerns and perhaps lack of
7 service on the part of the U.S. producers. To your
8 knowledge have there been any claims about quality
9 problems or lack of service?

10 MR. WAGNER: Earlier I addressed quality
11 concerns. I would say we are absolutely equal and
12 most of our competition, it's fairly equal to low
13 quality standards. As far as service goes, we've
14 had a lot of open capacity that we can turn on and
15 turn off at will, make additional product as needed.
16 If someone calls at 3:00 o'clock in the afternoon I
17 can make it that night, ship it the next morning if I
18 don't already have it on the floor.

19 Nashville Wire has five warehouses with
20 substantial amounts of wire decking. I'm not really
21 sure, availability, service, we consider ourselves up
22 to the task and a leader in the industry.

23 MR. RUDOLPH: Jim Rudolph with J&L .

24 I can't really speak towards Atlas
25 specifically, but I can speak for people that are

1 buying from China as to why they are doing it. It's
2 not the reason I've ever heard about quality of
3 product or service. It's for one reason and one
4 reason only, is that they can get a better price from
5 China and they can make more money on it.

6 MR. ASCIENZO: Thank you for those
7 responses.

8 Mr. Chamberlin, in your testimony I think
9 you said something to the effect of when you get a
10 significant order you might go back and forth with the
11 companies seeking your quote. What is a significant
12 order?

13 MR. CHAMBERLIN: It's obviously in the eyes
14 of the beholder. I'll only speak for AWP. We do a
15 great deal of business in quantities below 1,000, what
16 we call our quick-ship program. When a quote, not an
17 order, but a quote comes into us of 1,000 pieces or
18 more, that's what we deem to be significant in terms
19 that we start to apply different pricing algorithms to
20 the price we charge for 2,000 or 22,000 of the deck
21 versus someone who only wants to buy 220.

22 Within AWP the word significant probably
23 means 1,000 or more units of decking in a given quote.

24 MR. MACK: Todd Mack from ITC.

25 Due to our automation ability we are able to

1 handle very large orders, so a significant order to
2 us, to ITC, would be somewhere in the 10,000 deck
3 range. But what it comes down to though, especially
4 on those big prices, is we've constantly, the import
5 price is this. Can you meet it? Can you match it?
6 It always comes down to price.

7 MR. ROLLINS: Rob Rollins, Nashville Wire.

8 AS Craig said, a significant order is sort
9 of in the eye of the beholder. Obviously today I'm
10 happy for whatever orders I get.

11 One thing I will say, it's not -- The import
12 pressure is not more or less based on oversize because
13 generally speaking a big distribution facility is
14 going to go in and that's going to turn into a big
15 rack order and a big wire deck order to go on those
16 racks.

17 Typically speaking, that has a very long
18 lead time. The lead time requirement could be two
19 months. It's not going to be I need it tomorrow.
20 This is something they plan for in advance.

21 So big projects generally have longer lead
22 times which gives an importer more time to get the
23 stuff from China to the job site in the United States.

24 On the flip side, all the cookie cutter wire
25 decks, the 42-46's of the world, all the stuff that

1 all of us in this room keep in stock all the time
2 that's your day in, day out, I need 5 pieces, I need
3 100 pieces ordered, the importers have those in the
4 warehouses too. So they're competing on both the big
5 projects because they have the luxury of lead time,
6 and they're competing on the small common size orders.

7 Really the only bone left for the domestic
8 industry as far as having to compete less with them is
9 something that requires a really quick turn-around. I
10 need it in two weeks, and it's a highly customizable
11 part that nobody has in stock. Unless you want to put
12 it on air freight, which of course never happens with
13 heavy steel commodities, the Chinese are unable to do
14 that.

15 MR. ASCIENZO: Thank you very much.

16 Is there any seasonality with respect to
17 production or sales, or is it pretty much flat
18 throughout the year?

19 MR. ROLLINS: Rob Rollins.

20 The simple answer is it's pretty flat. It's
21 a little bit tied to construction when they can pour
22 concrete and finish off big projects, big new
23 warehouses and DCs, big box stores. So it might be
24 slightly busier in the second and third quarter than
25 the first and fourth quarter, but it's not like snow

1 blowers or lawn mowers. It's only slightly seasonal.

2 MR. ASCIENZO: I gather by the shaking of
3 heads everyone generally agrees with that?

4 MR. CALDWELL: Yes, I agree with that also.
5 But one of the things that we do in our production
6 facility is that during that we level load our
7 production so basically for those busier times what we
8 would do is we'd produce more product in the first
9 quarter in order to keep our consistent level of
10 production throughout our plant through the year for
11 the second and third quarter.

12 MR. ASCIENZO: Thank you.

13 Do any of the producers of the frames, the
14 green and the orange structures over there, do they
15 actually purchase the wire decking?

16 MR. ROLLINS: Rob Rollins.

17 Yes, that was the OEM rack guys that we
18 referred to. I want to be real clear on that point.
19 Those guys are reselling it. They're not buying it
20 for their own use. They buy it and sell it along with
21 their rack for a job or a distributor. They're not
22 buying it for their own use. They're reselling it.
23 As are the distributors.

24 The only people who buy it for their own use
25 are the big box retailers.

1 MR. ASCIENZO: So the OEMs, the way I
2 understand your answer, they're essentially buying the
3 decking to make a complete package and then they sell
4 it off.

5 MR. ROLLINS: Yes.

6 MR. ASCIENZO: Thank you.

7 The operating profits we've talked about a
8 little bit. I won't do specifics. I think they're
9 public, but let's say they're certainly below ten
10 percent. They're more in the, they were at some
11 period give or take six percent.

12 What are good operating profits for this
13 industry and when was the last time you had good
14 operating profits? Profit margins, excuse me.

15 And feel free to answer in the post-
16 conference brief.

17 MS. CANNON: I think they'd rather do that
18 off the record here. Thank you.

19 MR. ASCIENZO: I gathered that.

20 MR. RUDOLPH: J&L can answer because we've
21 only been involved with this for two years, so we
22 don't know about it.

23 (Laughter,)

24 MR. ASCIENZO: Thank you very much.

25 Those are the ends of my questions. I think

1 Mr. Houck has a follow-on question.

2 MR. HOUCK: Thank you, Mr. Ascienzo. I did
3 have one more question that I failed to ask.

4 I wanted to inquire as to whether there is a
5 substantial used equipment market for this product and
6 whether the availability of used deck might be
7 compounding some of the effect of the decline caused
8 by the recession.

9 MR. McCLURE: I would answer no, there's not
10 a significant market for that product. I would say it
11 probably equals two percent of the total market, would
12 be our estimation.

13 We saw this literally in 2001 in the
14 downturn of the dot boom when there was a lot of used
15 product on the marketplace. People prefer to buy the
16 new product because of safety reasons. The same with
17 rack. They adhere to most of those standards.

18 So a lot of them won't go out and buy that
19 used shelving. It is sold, but it's a very small
20 percentage of the marketplace.

21 MR. RUDOLPH: Jim Rudolph, J&L.

22 There is used product out there, but
23 typically if a person's looking at new they're going
24 to buy new. If someone is looking to buy used they
25 really aren't even looking at new, so it's not in the

1 same market.

2 MR. HOUCK: Thank you.

3 MR. ASCIENZO: Thank you, Mr. Houck.

4 I think Mr. St. Charles has a follow-on
5 question.

6 MR. ST. CHARLES: I do. And I suppose this
7 is for Mr. Caldwell.

8 In discussing the fire codes and the
9 evolution of the sprinklers in the shelving itself
10 versus being able to penetrate through the wire. When
11 was, as you called it, wire decking invented? Come
12 into use.

13 MR. CALDWELL: Actually I would like to ask
14 Rob Rollins to answer this question because his family
15 has been in the business for three generations and
16 actually I would say they are the inventor of the
17 product. He would have more knowledge than myself.
18 I've only been in the business 16 years.

19 MR. ROLLINS: Thanks, Johnny.

20 Rob Rollins.

21 Honestly, I think we probably were the first
22 producer and fabricator of a wire deck, and this would
23 have happened in the late '60s, early '70s. We
24 originally made wire baskets, wire containers,
25 industrial wire containers. And warehouse brack is a

1 long-existing product. It goes back even before then.

2 Customers came to us and said hey, can you
3 make a shelf that fits into this rack so our overhead
4 sprinkler system can still work? The fire marshal's
5 giving us grief.

6 So I would say in the late '60s and '70s
7 customers came to us and I guess the folks that ran
8 our business before my arrival, between them, had the
9 idea for a wire deck, so that was kind of its origin.

10 MR. ST. CHARLES: My understanding, I
11 understand you're going to be submitting the actual
12 fire codes in your post-conference briefs.

13 I assume there are specific references to
14 wire decking now. When did codes start to include
15 references to wire decking?

16 MR. ROLLINS: This is going to be kind of a
17 hard question, Rob Rollins, sort of a hard question to
18 answer.

19 I don't think, codes are oftentimes state
20 specific, even municipality specific. I think this is
21 even fuzzy for the folks in the room, myself included.
22 I don't think you're going to find lots of direct
23 references to wire decking. What you will see is
24 prohibitions against solid shelving. And also it
25 depends somewhat on the goods being stored. Are they

1 flammable? Are they aerosols? Things that are highly
2 flammable.

3 But there is a prohibition I've seen, and
4 some that you cannot use solid shelving in tall bay
5 rack systems in conjunction with an overhead sprinkler
6 system. But they don't necessarily say you must use
7 wire decks. Of course you could use nothing at all in
8 your rack system. You're more likely to see a
9 prohibition against solid shelving than you are an
10 insistence on wire decking.

11 MR. ST. CHARLES: Thank you. I have no more
12 questions.

13 MR. ASCIENZO: Mr. Chamberlin, were you
14 going to say something?

15 MR. CHAMBERLIN: I was just going to make
16 the remark I'd made earlier that the fire code's going
17 to call for a 50 percent open space or greater.
18 That's the requirement. That's what we'll provide you
19 when we get you that pertinent part of the fire code.

20 As Rob said, it's not going to say use a
21 wire deck. It's going to say whatever you use, what
22 physical attributes have to be a result of having used
23 that product.

24 MR. ST. CHARLES: Thank you.

25 MR. ASCIENZO: Thank you very much.

1 Actually, I do have one more follow-on
2 question.

3 The production workers. Is their pay at all
4 tied to the profitability of the companies? Or are
5 they strictly paid by the hour and perhaps overtime?
6 My question is getting at, in the downturn here, in
7 some industries production workers share in the
8 profitabilities of the company. So their pay would be
9 down a lot as the profitability of the companies goes
10 down.

11 MR. WAGNER: I'll start off by answering
12 that for Nashville Wire.

13 In our factories they're fairly automated so
14 they're not really workers, they're technicians. I'd
15 like to make that distinction for you guys.

16 Also yeah, this is going to be, it's tough
17 for them because yes, they enjoy profit sharing as
18 part of their compensation package at our facilities.
19 And because of the lower prices from China, you
20 mentioned the five percent earlier. Five percent is
21 not a very good profit, so that's not a lot. I would
22 say it's been several years that their compensation's
23 been affected.

24 MR. ASCIENZO: Anyone else care to comment?

25 MR. BRANDON: Mark Brandon from Nucor Wire

1 Products.

2 Every team mate at Nucor is paid based on
3 performance. That is tied directly to the number of
4 units that are produced, quality units that are
5 produced, as well as we have a very extensive profit
6 sharing plan. They are not doing very well when we're
7 running at a 30 percent capacity so they are being
8 affected directly.

9 MR. CALDWELL: All of the associates at ITC
10 share in a profit sharing plan, so when the company
11 obviously is more profitable, those profits are then
12 distributed amongst the associates within the
13 organization.

14 MR. YOUNG: This is Ron Young at
15 Wireway/Husky.

16 Our employees are paid hourly with overtime,
17 and so they haven't had pay reductions caused by the
18 loss of bonuses or profit sharing. However, they are
19 on short hours. So they've been feeling that affect
20 and in that way.

21 MR. ASCIENZO: Thank you.

22 I'm sorry, Mr. Chamberlin, did I cut you off
23 again? You're done.

24 Thank you very much. Any other follow-on
25 questions from the panel?

1 (No audible response.)

2 I do want to thank you all very very much
3 for coming here today and for your testimony and for
4 all of your answers, and I do want to note that Mr.
5 Price got off without having to answer anything, but
6 that's --

7 (Laughter.)

8 Thank you very much.

9 Let's take a break until 20 after by that
10 clock, so that's a little bit less than 15 minutes.
11 That's like 14 minutes. We'll reconvene with the
12 second panel.

13 Thank you very much.

14 (Whereupon, at 12:07 p.m. the hearing was
15 recessed, to reconvene at 12:23 p.m. this same day,
16 Friday, June 26, 2009.)

17 MR. ASCIENZO: Before we start, do you have
18 exhibits? Ms. Levinson and Mr. Wisla?

19 You may begin when ready. Thank you.

20 MS. LEVINSON: Yes, good afternoon, and
21 thank you to the Commission staff.

22 I'm Lizbeth Levinson with Garvey Schubert
23 Barer. I'm accompanied here today by my colleague Ron
24 Wisla. I have the pleasure of introducing our panel
25 to you this afternoon.

1 To my immediate right is Mr. Vic Kedaitis
2 who is the Vice President and General Manager of Atlas
3 Material Handling. He'll be testifying immediately
4 upon the conclusion of my remarks.

5 To his right is Kerry Wolfe. Kerry is the
6 General Counsel for Atlas Materials Handling and has
7 been with the company for about two years.

8 To his right is Song Bin who is the owner of
9 the supplier to Atlas, the Dalian Eastfound Company.
10 For convenience, Mr. Kerry Wolfe is going to read the
11 statement of Mr. Song Bin, but Mr. Bin will be happy
12 to answer questions. He does understand English
13 perfectly, we just thought it might be a little easier
14 to have somebody read his statement.

15 With that I'll turn the mike over to Vic
16 Kedaitis.

17 MR. KEDAITIS: Hi, good afternoon panel. My
18 name is Vic Kedaitis. I'm the Vice President and
19 General Manager of Atlas Material Handling, as Liz
20 said. I've held this position since 1998. I have
21 been involved in the distribution of material handling
22 and storage products including wire decking for over
23 25 years.

24 I have read the petition and Atlas strongly
25 opposes this petition for the reasons I'm about to

1 discuss.

2 As a preliminary matter, while we recognize
3 the names of the Petitioners as being competitors,
4 there is one company that has been listed as
5 supporting the petition that I do not believe is
6 either a competitor or an industry member. The
7 balance of the companies supporting this petition have
8 a highly insignificant presence in the relevant
9 overall market.

10 In fact two or more of the principals of the
11 petitioners or supporters were not familiar with the
12 wire deck market for most of the subject POI.

13 Atlas Material Handling is a nationwide
14 distributor of warehouse and storage products and our
15 policy is to sell only to other resellers which would
16 include wholesalers and traditional material handling
17 distributors of material handling products.

18 We do not sell our wire decking products to
19 any end users including any big box retailers as the
20 terms have been used today.

21 By contrast you have seen that many of the
22 Petitioners have testified that they common sell to
23 both end users, big boxes and distributors.

24 Since 1994 Atlas actively inventoried and
25 sold new and used pallet rack storage systems which

1 included wire decking and other static storage
2 products as commonly found in warehouse and
3 distribution facilities. However, during the mid '90s
4 our customers began demanding a number of things and
5 an increase in product diversification was a
6 significant issue. Inventory capacities and more
7 accessible points of distribution all became
8 significant factors with our customers.

9 I believe that these new requirements grew
10 out of the expansion and the general economic growth
11 of the United States which in our case included the
12 warehousing and distribution and logistics industries.

13 In 1998 Atlas made a strategic decision to
14 respond to this demand and wire decking became the
15 focal point of our sales effort at that time.

16 Up until this time we sourced our products
17 exclusively from one or more of the Petitioners that
18 are represented here today. Customers, however,
19 continued to voice their concerns about the quality of
20 the products and a variety of other factors.

21 Petitioners provided low quality finishes
22 that caused premature rusting and wear and were
23 unacceptable for many applications. Petitioners did
24 not offer a choice of colors or the high level of
25 customer service that was desired in the industry.

1 In short, our customers wanted a number of
2 things. One, shorter lead times. Two, the ability to
3 manufacture customized products quickly and cost
4 effectively. Three, more accessible distribution
5 points across the United States. Four, more expansive
6 quick-ship inventory levels. Number five, quick
7 response to requests for quotations. Finally, number
8 six, a higher level of engineering expertise.

9 An additional complaint that was consistent
10 is that distributors shared with us that many domestic
11 suppliers, including the Petitioners, had begun, for
12 lack of a better term, poaching their customers and
13 competing directly against those distributors. Many
14 distributors no longer trusted that these domestic
15 companies would honor the traditional
16 manufacturer/distributor relationship. It is also
17 important to note at this time that there was no
18 nationwide distribution of wire deck offered by any
19 members of the domestic industry.

20 Our company thus made the strategic decision
21 to enter the wire decking business and to build a
22 model responsive to the needs of our customers that
23 were not being met by the Petitioners.

24 Our new plan was to sell, as I've said
25 before, only to wholesalers, distributors, and

1 resellers of material handling equipment. Our sales
2 model included additional and strategically located
3 distribution points, superior engineering support
4 which included capacity testing and we offered quick
5 response times to those unique needs.

6 Our product line included a choice of
7 finishes that Petitioners simply do not produce. For
8 example, we offer high quality post-welded
9 electrogalvanized finish, a finish which is well
10 suited for outdoor applications and has been
11 specifically requested for a number of our customers.

12 WE also offer a high quality powder coat
13 finish with probably the widest range of color choices
14 in the industry which makes it especially attractive
15 for custom applications or retail point of purchase
16 settings.

17 By contrast, at least two of the Petitioners
18 offer no choices of final finishes whatsoever.
19 Additionally my sales staff is intensively and
20 specifically trained in pallet rack design
21 application. We are the only wire deck distributor
22 that has this intensive type of training.

23 To this end we have developed a dialogue and
24 relationship with key distributors on the most
25 intimate level. Atlas has designed and pioneered the

1 current wire deck distribution model as it exists
2 today.

3 Many others have copied our model, including
4 a number of Petitioners as well as other importers.
5 As a result, they have been able to more aggressively
6 compete with us in the marketplace. Several of the
7 Petitioners have replicated our model by sourcing
8 products off-shore and also adding additional
9 distribution points. However even today we find that
10 we are still purchasing up to about five percent of
11 our total wire decking needs from at least two of the
12 Petitioners when they are able to offer better prices
13 or lead times than our Chinese supplier.

14 As a result, we are likely among the top
15 account annually.

16 During the past several years the wire
17 decking business has been expanding, especially with
18 the advent of mass merchandisers like the WalMarts and
19 Home Depot, big box types, whose demand for pallet
20 rack products provide a downstream demand for wire
21 decking.

22 Throughout the POI the Petitioners and
23 importers were expanding their production and
24 equipment to meet the increased demand. Consumption
25 was going up throughout the period and we too were

1 expanding. Our Chinese supplier added a new factory
2 in July of 2006, and Atlas acquired a California-based
3 distributor to support our West Coast customers.

4 Currently wire decking accounts for
5 approximately 90 percent of Atlas' net sales. The
6 industry as a whole, however, is very small and
7 estimated to be less than \$150 million in total annual
8 revenue. In the last three quarters, however, our
9 business has literally fallen off a cliff. The market
10 for wire decking fell in October of 2008 because
11 larger stores like the Wal-Mart's, Home Depots and
12 other big boxes and everything else that was
13 expanding, suddenly stopped. Wire -- rates soared,
14 credit markets evaporated, corporate earnings
15 plummeted and all recessionary influences have
16 affected the entire material handling industry. We
17 are experiencing the worst recession since the Great
18 Depression and certainly the worst I have seen in my
19 25 years in the material handling industry.

20 Strangely enough, even during this
21 recession, we have been advised that at least one of
22 the Petitioners has expanded its facilities and
23 increased production capacity while Atlas undergoes
24 massive contraction.

25 This recession has been devastating to Atlas

1 as well as to the Petitioners. Since October of 2008
2 our wire decking sales have decreased by more than 65
3 percent and in that same period our imports of wire
4 deck have decreased by almost 60 percent.

5 As a result we have had to reduce our sales
6 staff by over 40 percent, and our warehouse staff has
7 been reduced by 60 percent. Within the last 12 months
8 I have had to close our warehouses in San Francisco,
9 Jersey City, and Minneapolis. Our supplier in China
10 was forced to close one of his factories because of
11 the drastic drop-off in demand.

12 To add to Atlas' challenges, our costs have
13 increased. We have experienced a steady increase in
14 steel prices, labor costs, and over a 20 percent
15 negative impact due to currency valuations.

16 In other words, we are subject to the same
17 market fluctuations and conditions as the Petitioners,
18 and none of it has anything to do with imports from
19 China. I find it completely ironic to hear that
20 Petitioners refer to us as price leaders in this
21 industry. I strongly disagree with that
22 characterization.

23 During the POI Atlas has lost hundreds of
24 sales to the Petitioners because they have offered
25 customers a lower price than we were willing to do so.

1 My customers have asked me many times to match prices
2 being offered by the domestic industry and we were
3 simply unable to do so.

4 Currently we consistently find our quoted
5 prices 10 to 15 percent higher than prices that are
6 being quoted from a specific domestic producer which
7 is a Petitioner here today. We maintain documentation
8 showing that these lost sales were lost to Petitioners
9 because of price. Atlas will be happy to share them
10 with the Commission in our post-hearing brief.

11 Thank you for the opportunity to testify
12 before you. I would be pleased to answer any
13 questions you may have.

14 MS. LEVINSON: Mr. Wolfe will now read Mr.
15 Bin's statement.

16 MR. WOLFE: Good afternoon. I'm Kerry
17 Wolfe. I'm General Counsel for Atlas, and I will be
18 reading the statement on behalf of Song Bin. He is
19 the President of Dalian Eastfound Group which owns two
20 factories that produce wire products including wire
21 decking.

22 The first factory was opened in 1999 and was
23 owned by Dalian Eastfound Metal Products Company Ltd.
24 A second factory owned by Dalian Eastfound Material
25 Handling Company Ltd. became operational in 2006. The

1 questionnaire response that was submitted yesterday
2 encompasses both of those companies.

3 His company exports wire decking products to
4 Atlas for resale in the United States. The Eastfound
5 Companies and Atlas have an exclusive arrangement for
6 sales in the North American market. We do not sell
7 directly to end users. We also sell wire decking and
8 other wire products to importing distributors in
9 Japan, Europe, Australia, and the Middle East. We do
10 not sell wire decking in our domestic market.

11 The petition named over 83 Chinese
12 producers. I don't think that is an accurate picture
13 of Chinese production. There are only seven companies
14 that account for 90 to 95 percent of the Chinese
15 production and U.S. exports. These include my
16 companies which sell exclusively to Atlas in the
17 United States. The other major producers are
18 Humalong, Jinbo, and Nishian who have a close
19 association with the Petitioner Nashville Wire.
20 Mighty Lift, another U.S. importer, has close
21 associations with three factories in Tianjin.

22 The production processes used by our
23 companies enable us to produce customized products
24 that are not readily manufactured by U.S. producers.
25 The nine most popular wire decking products produced

1 by U.S. and Chinese manufacturers account for
2 approximately 85 percent of U.S. sales. We
3 efficiently produce these products. However, the
4 remaining 15 percent of the U.S. market is made up of
5 over 4,200 other wire decking products.

6 For U.S. producers who use fully automated
7 equipment, it's inefficient for them to make low
8 volume production runs necessary to produce such
9 custom products. My factories, however, use semi-
10 automated equipment. This permits us to easily change
11 the dies with a minimum of setup time, down time, and
12 labor costs. We are thus able to efficiently
13 manufacture both standard and custom wire decking
14 products for sale in the United States.

15 In addition, over 70 percent of my wire
16 decking production is post-welded galvanized product.
17 Petitioners don't galvanize their product post-
18 welding, which will cause premature rusting. The
19 galvanized products that they offer are being sourced
20 from China in many cases.

21 I do not believe that Eastfound's sales to
22 the United States are injuring domestic producers. WE
23 only sell to Atlas. We don't even attempt to sell to
24 the customers of the U.S. producers. Our exports have
25 generally followed overall U.S. consumption patterns.

1 As U.S. demand for wire decking grew with
2 the spread of mass merchandising distribution centers,
3 our sales to Atlas increased. Our exports to the
4 United States peaked in 2007.

5 Since the global recession hit in the late
6 third quarter 2008, our sales have dropped
7 precipitously. Due to dismal exports in the fourth
8 quarter of 2008, total 2008 sales declined
9 significantly from 2007 levels. As the recession
10 deepened, my first quarter 2009 exports to the United
11 States are more than 65 percent less than my first
12 quarter U.S. 2008 exports.

13 Any difficulties experienced by domestic
14 producers since the recession are due to the
15 recession, and below market pricing strategies
16 employed by one of the Petitioners, not to the volume
17 of Chinese exports that are declining.

18 The Commission should understand that the
19 current economic recession is not only hurting
20 domestic U.S. producers. Our Chinese operations have
21 been devastated by the current recession. My first
22 factory, Dalian Eastfound Metal Products Co. Ltd., was
23 closed on February 1, 2009. Over 500 production
24 workers were laid off at both factories. This
25 accounted for approximately 70 percent of our company-

1 wide production employment. I have also had to lay
2 off 10 percent of company management and company
3 engineers.

4 Since October 2008 our overall production
5 has declined by 80 percent.

6 The recession in the United States has hurt
7 the entire wire decking sector. U.S. producers, U.S.
8 importers, and even Chinese producers have been
9 adversely affected as U.S. purchasers have drastically
10 cut back their orders.

11 I cannot understand how my declining exports
12 to the United States can be deemed to be the cause of
13 the domestic industry's deteriorating condition. It
14 is clear that all businesses in all sectors in all
15 countries are being devastated by the recession.

16 Thank you for your time.

17 Song Bin has come to this hearing and is
18 ready and available to answer any of the questions
19 that you may have.

20 MS. LEVINSON: That concludes our direct
21 testimony.

22 MR. ASCIENZO: Thank you very much for that
23 testimony.

24 We're going to begin this afternoon's
25 questioning with Chris Cassise, the investigator.

1 MR. CASSISE: I'd like to welcome the panel.

2 Ms. Levinson, I have a quick question for
3 you, and it's whether you intend in your post-
4 conference brief to raise any like product issues.

5 MS. LEVINSON: I was waiting for that
6 question.

7 No, we don't. For purposes of the
8 preliminary phase of the investigation we concur with
9 Petitioners that all wire decking constitutes one like
10 product.

11 MR. CASSISE: Thank you.

12 I guess we'll continue with the statement by
13 Mr. Song about the Chinese industry. You mentioned
14 that you disagreed with the Petitioner's list of 83
15 companies and you believe there is only around seven.
16 Is that six in addition to Mr. Song's company, or does
17 his company count as two on that list?

18 MR. BIN: Sorry, my English is not quite
19 good. I need to discuss with him first.

20 MR. WOLFE: Yes, of the seven, two of those
21 are the Eastfound companies.

22 And just to be clear, in the description of
23 the seven, it was that seven were producing about 90
24 to 95 percent of the exports.

25 MR. CASSISE: Either here or in a post-

1 conference, if you could go into some detail on those
2 other companies, if that information is available to
3 you. Just estimates of capacity, estimates of which
4 markets they send to, what's the percentage of their
5 exports that they send to the U.S.. Just estimates,
6 if you can gather that information.

7 MR. WOLFE: That should be no problem.

8 MR. CASSISE: Also another issue would be
9 just to address is there a Chinese home market for
10 this product.

11 MR. BIN: I will say a very small market.
12 Very disordered market. So we usually not do that.

13 MR. CASSISE: Do these rack systems exist at
14 all in Chinese warehouses?

15 MR. BIN: We don't know that. Different
16 companies may use wooden ones. They don't use steel
17 ones.

18 MR. CASSISE: So this is an export oriented
19 market.

20 MR. BIN: Yes.

21 MR. CASSISE: You mentioned 1998 as kind of
22 the year when this market changed a little bit. Am I
23 right to assume that the growth and expansion of the
24 big box retailers had something to do with the
25 increase in growth in this market?

1 MR. KEDAITIS: Yeah. It's been no secret.
2 Vic Kedaitis speaking. It's certainly been no secret
3 that the big boxes have been on a decade long
4 expansion probably more depending on the specific
5 retailer and the concept stores and the home centers.
6 So I think any manufacturer of pallet rack would agree
7 with that because that is certainly the infrastructure
8 of any kind of those big box centers. And there's a
9 second and a third layer of supporting industry that
10 feed those big box retailers as well. And there's
11 anything from ports of entry to simply fast inventory
12 replenishment operations that support on a residual
13 basis these major centers.

14 So all that combined is certainly an
15 industry-wide phenomena that circles very fast within
16 the material handling industry and includes things
17 like forklift trucks and conveyors and automated
18 systems and just efficient logistics pieces.

19 MR. CASSISE: Mr. Kedaitis, if you had to
20 put a ball park figure on the percentage of growth in
21 the industry, the wire decking industry, that could be
22 attributed to the expansion of the big box retailers,
23 could you give an estimate to how much of a percentage
24 is responsible for the growth in this industry?

25 MR. KEDAITIS: I'd be comfortable

1 estimating, and strictly an estimate. I would say
2 it's at about a 20 to 25 percent factor. I would be
3 looking at a ten year window of that.

4 MR. CASSISE: And that 20 to 25 percent,
5 would that be the retail stores themselves, or like
6 you mentioned also the regional distribution centers
7 that come with that?

8 MR. KEDAITIS: I would attribute that to the
9 retail centers. And I will say that the WalMart is
10 the big gorilla with that definition. I factually
11 know that a number of years within this decade we're
12 referring to, WalMart was consistently referred to as
13 the biggest consumer of pallet rack in the pallet rack
14 industry. They were the biggest buyer for a number of
15 years in that window.

16 MR. CASSISE: So it's fair to say that your
17 20 to 25 percent would even be greater if you
18 considered all of the related distribution centers
19 that had to be built because of the expansion of the
20 big box retailers?

21 MR. KEDAITIS: Yes, sir. That's correct.

22 MR. CASSISE: Also just a point of
23 clarification. You mentioned that Atlas doesn't sell
24 to the big box retailers directly, but yet it
25 dramatically affected your business. Their decision

1 ont to expand as much during the current recession.

2 Could you just clarify that point for me?

3 MR. KEDAITIS: As I said, we specifically
4 avoided selling to the big box retailers for a variety
5 of reasons. But the residual business that surrounded
6 that demand. Again, it's a significant downstream
7 affect that bleeds into middle sized automotive,
8 pharmaceuticals, specialty foods, footwear, childrens
9 clothing, just a number of those things. And forgive
10 me if I'm not answering your question correctly, but
11 we supported those lower level industries on a much
12 more intimate scale.

13 MR. CASSISE: So you would be selling to the
14 sellers to the big box retailers.

15 MR. KEDAITIS: We would on occasion sell to
16 the sellers to the big boxes, but more specifically we
17 would sell to the sellers that are in the downstream
18 of the big box retailers, the industries I just have
19 mentioned.

20 MR. CASSISE: Just to clarify one more
21 thing, when you say you don't sell to the big box
22 retailers, it means you don't sell to them when
23 they're building their regional distribution
24 warehouses and their retail operations?

25 MR. KEDAITIS: That's correct.

1 MR. CASSISE: Again, just to clarify
2 something that was said earlier, and I may have missed
3 some of it. It said, I think Mr. Wolfe, you said 85
4 percent of the U.S. sales were nine specific products
5 that were made in China. I think you described them
6 as kind of low volume custom products, that it sounded
7 as if you were insinuating that the U.S. producers
8 weren't really interested in producing, it wasn't
9 worth their while.

10 I just wanted to clarify and make sure I got
11 that correct and if that sounds like a fair statement.

12 MR. WOLFE: I think the point was that there
13 were, for those other products that were being made,
14 because of the way the domestic producers
15 manufactured, it wasn't going to be efficient for them
16 to end up serving that particular market. So it was
17 the other 15 percent that was more I think significant
18 to the point. But maybe I'm not answering your
19 question correctly.

20 MR. CASSISE: Again, I'm just trying to
21 clarify what was said earlier.

22 You mentioned there was kind of a small
23 niche of products from China coming in. Nine
24 products. Then that made up 85 percent of U.S. sales.
25 But the other 15 percent were 4,000 different SKUs. I

1 guess maybe we'll just do it this way. Why don't you
2 describe what those 85 percent of U.S. sales are.
3 What are those nine most popular products that are
4 coming into the U.S.?

5 MR. BIN: I think these numbers come from my
6 data. WE have an NPR system, we can collect all the
7 data for years. So these figures of our sales, for 80
8 percent is for the nine popular sizes; and the 15
9 remaining percent is for the three, four thousand
10 different sizes.

11 MR. CASSISE: Would those nine popular
12 products be what the U.S. industry would consider the
13 commodity type, the standard --

14 MR. WISLA: Yes. What we were saying is
15 those nine most popular products account for 85
16 percent of the U.S. demand which is supplied by both
17 China and the United States. So it applies to
18 everybody.

19 MR. CASSISE: Where did I get this low
20 volume custom products statement?

21 MS. LEVINSON: You're correct, because there
22 is, and I'll let the witnesses testify, but the 85
23 percent is the sop-called commodity product. But one
24 thing that we specialize in is actually customized
25 products, and the other 15 percent are these

1 customized products and Mr. Kedaitis can explain to
2 you how they're customized. But the ability to
3 provide these customized products is something that
4 Atlas and Mr. Bin offer its customers that the
5 domestic industry does not.

6 MR. CASSISE: Okay.

7 MR. KEDAITIS: The reference to the low
8 volume customers was my comment.

9 Again, responding to our distributor base,
10 our core competency, is very significantly the ability
11 to provide non-standard sizes, and a non-standard size
12 would be a physical dimension of a depth, a width. It
13 could be a gauge of wire, it could be a final finish,
14 it could be a unique bend, it could be used in only
15 one specific or two specific applications. Our
16 distributors have found us to be very reliable in
17 providing that and supporting with either test data
18 for capacity and integrity and certainly a critical
19 path in the supply chain, and accommodating a delivery
20 schedule or a certain drop dead date that they may
21 have, and it's a very very maintenance intensive
22 project or sale, if you will. Our distributors have
23 found that we've performed well consistently in that
24 type of arena.

25 I think it's important to note that part of

1 our ability to perform at that level is directly
2 related to the Eastfound Group which as was mentioned,
3 they have the ability to quickly interchange dies and
4 quickly respond. There's minimal setup time, there's
5 often no significant cost to do so. And their
6 engineering support, resources were leveraged and
7 passed on, and everybody benefited in the entire
8 transaction.

9 MS. LEVINSON: To add to that, one of the
10 reasons that Eastfound is able to provide that service
11 and the domestic industry is not, is because as the
12 witnesses this morning testified, they are fully
13 automated. Mr. Bin's factories are only semi-
14 automated, so he can make modifications much more
15 easily than they can.

16 MR. CASSISE: Mr. Kedaitis, just to clarify
17 exactly what Atlas does, you're a distributor but you
18 sell to other distributors? Or do you put in the
19 entire rack system to the end user?

20 MR. KEDAITIS: We're a distributor. We do
21 not sell pallet racking with our wire decking. So
22 it's also important to note that my personal previous
23 experience included turnkey material handling storage
24 products which of course were centered around pallet
25 racking and even went into automated conveyors and

1 forklift equipment and so on. But currently Atlas
2 Material Handling only sells to distributors, and we
3 sell to those distributors wire decking and other
4 related wire products. A good way to describe that
5 would be pallet rack exacorral products if you were to
6 look at my entire product line.

7 MR. CASSISE: So using the three customer
8 categories that we heard this morning, distributors,
9 end users, and OEMs, you sell to distributors.

10 MR. KEDAITIS: About 95 percent of my sales
11 will be to distributors. There's an occasional end
12 user sale, but a distributor is included simultaneous
13 with it at that point. So I would easily say it's 100
14 percent distributor sales.

15 MR. CASSISE: And you agree with that
16 breakout in the market, that those are fair sectors.
17 You wouldn't add or subtract any of them.

18 MR. KEDAITIS: I would subtract the big box
19 from that three definition. I'm sorry if I'm being
20 redundant, but --

21 MR. CASSISE: Not as a fair sector. You
22 would subtract it because you don't sell to the,m but
23 they still are a customer.

24 I guess my question was, of the three
25 categories that they mentioned, that's a fair

1 assessment of the segments of the potential customers
2 for your product.

3 MR. KEDAITIS: Yes, I would agree with that
4 assessment. Yes.

5 MR. CASSISE: Another point of
6 calcification. You had mentioned that Atlas had
7 pioneered a distributorship method, I guess this was
8 in the late '90s. I was just wondering if you could
9 expand on that. You said that this was something that
10 some of your competitors were beginning to emulate. I
11 was just wondering if you could give me a little more
12 detail.

13 MR. KEDAITIS: Sure. My comments were that
14 Atlas pioneered the wire deck distribution model as it
15 exists today. What I mean when I say that is that in
16 the mid '90s there were domestic manufacturers and
17 none of them had any kind of additional distribution
18 points. It was their factory location, and that was
19 the only location.

20 So when I say distribution model, I say that
21 we identified and established strategic shipping
22 locations beyond those manufacturing facilities
23 because our distribution base was demanding shorter
24 lead times, faster delivery, and more convenient
25 locations.

1 The freight factor from a Midwest origin to
2 a West Coast shipping point was dramatic and there was
3 a very loud demand and loud outcry that there's a need
4 there.

5 So our model included the strategy of
6 identifying those lanes and those final destinations
7 and the material handling industry, as you know, is
8 broad-based, nationwide, and it's not centralized
9 geographically in any way. Certainly surrounded by
10 major metro markets.

11 But the onset of internet based companies
12 dramatically increased that, probably midstream, fast
13 forward to late '90s, early 2000's and geographic
14 boundaries were even more important.

15 The supplier base that these internet
16 providers, these are resellers of material handling
17 equipment I'm referring to which would include pallet
18 rack resellers and wire decking and general low level
19 material handling equipment. They fueled that demand
20 even further.

21 So I would say that any distribution supply
22 chain pattern that exists today was modeled from our
23 strategy from that point.

24 MR. CASSISE: What's the lead time once you
25 put in an order for say one of these 85 percent

1 commodity products? You put an order in to China.
2 What's the lead time when you receive that?

3 MR. KEDAITIS: About five weeks. Four to
4 five would be, five would be very comfortable.

5 MR. CASSISE: And you shorten those lead
6 times by just keeping inventories for the 85 percent?

7 MR. KEDAITIS: That's correct. We would be
8 less than, well, it's a 24 to 48 hour shipping point
9 at that time.

10 MR. WOLFE: This is Kerry Wolfe.

11 I think that's a significant answer to your
12 question, in terms of how we service the customers.
13 We put ourselves in a position where we can be giving
14 that kind of turn-around time and we do that by
15 stocking the various locations that we have with
16 inventory and managing that as well as we can.

17 MR. CASSISE: Mr. Wolfe or Mr. Kedaitis, I
18 forget who mentioned this, but one of you mentioned
19 some quality issues that was experienced by customers
20 using U.S. product, and one of the reasons they had
21 come to you were these quality issues.

22 I don't know if you want to expand on that
23 or describe in more detail what these quality issues
24 were.

25 MR. KEDAITIS: Sure.

1 As I mentioned, in the early days I
2 purchased and inventoried domestically produced wire
3 decking. In not such small volume. These were all
4 purchased in multiple truckload quantities.

5 Some of the comments that came back very
6 early on was the deck is rusting. Okay, we
7 investigate why is it rusting? It's a galvanized
8 product. Well, it was certainly galvanized before the
9 welding. Once that deck was welded every point that
10 was welded in a section of the wires and that
11 attachment of the channels burned off the galvanizing
12 finish. Because many of our dealers are either
13 outdoor application providers or they're stocking
14 dealers where their inventory that they purchase from
15 me may be stored outside because of physical space
16 constraints, the products begin to rust almost
17 immediately and the final finish and the presentation
18 dramatically deteriorated. That was a significant
19 factor.

20 The same comment on the same product would
21 be the decks are oily. There's machine oil residue
22 and every time I lift one up, they're getting my hands
23 dirty and my customers are upset when they load their
24 boxes on these decks that people are getting greasy
25 from brushing up against the wire.

1 Other comments were the paint has runs on
2 it. It's air painted or wet dipped paint and it's got
3 runs and it's not consistent. It's chipping off.

4 Some significant other complaints were
5 powder coated finishes too, were showing signs of
6 premature wear as the pallets were placed and cycled
7 on and off the product line. They were rubbing off
8 the paint finish and exposing bare metal, and that
9 just accelerated rust applications.

10 It became a serious issue for us when we
11 were involved in an FDA regulated facility for any
12 food or drug, any kind of bare metal was not allowed.

13 So it posed significant problems for a
14 number of broad-based applications. Including
15 lifetime performance.

16 MR. CASSISE: Were these observations within
17 our period of investigation, or were these prior to
18 2006?

19 MR. KEDAITIS: Well, the reference I'm
20 making is that prior to 2006 we were sourcing it from
21 domestic Petitioners and it was a problem during that
22 period of sourcing.

23 MR. CASSISE: I'm just trying to get a
24 timeframe, that's all.

25 MR. KEDAITIS: It would have been 1994 to

1 current.

2 MR. CASSISE: So you think these quality
3 issues still exist to this day?

4 MR. KEDAITIS: I do believe that.
5 Absolutely I believe that, yes.

6 MR. CASSISE: Okay.

7 We got some numbers about certain market
8 segments from PETITIONRES this morning. I just wanted
9 to run them past you and make sure they sound like
10 your experience, or if they're not, if you could give
11 me what your experience has been.

12 One of them was this 70/30, 80/20
13 replacement and new market. What percentage of your
14 product do you think goes toward making the new
15 warehouses versus replacing old decking?

16 MR. KEDAITIS: I'm probably going to give
17 you a long answer to it because it is subjective. And
18 I agree, that the life span of wire deck is almost
19 infinite, certainly it can be damaged and therefore
20 needs to be replaced,

21 I cannot speak to the replacement percentage
22 for a big box and their resetting of their store
23 settings. I can't speak to that, we don't serve that
24 arena.

25 I will say that there is probably an 80/20

1 percent, a 20 percent factor in that there's
2 relocation of an existing customer, for example, he
3 may want to relocate or he may want to downsize or he
4 may, there's attrition of something. His business
5 model may have changed, where the decking needs to be
6 replaced, or simply discarded as a whole.

7 I would give an example of third party
8 logistics warehouse provider which is a significant
9 customer base we play in. AS their clients come and
10 go and change and evolve, so do their pallet sizes, so
11 do their load sizes, so do their overall number of
12 SKUs and so on.

13 So the warehouse provider would therefore
14 respond accordingly with a rack system, with or
15 without wire deck, according to those customer needs.

16 MR. CASSISE: So that 80/20 number is
17 reasonable to you.

18 MR. KEDAITIS: I believe it's reasonable,
19 yes.

20 MR. CASSISE: Okay. And again, if they're
21 reasonable to you that's fine. If you have a
22 difference of opinion, let me know.

23 What about the four to five percent of the
24 outdoor galvanized market? Petitioners claim that
25 four to five percent of the wire decking was kind of

1 an outdoor galvanized. You said you have a lot of
2 clients that have outdoor applications. Is four to
3 five percent, it's probably not your experience for
4 your customer base. If you could expand on that.

5 MR. KEDAITIS: My understanding of the four
6 to five percent is in answer to the question of how
7 the retail, big box buyers of wire deck account for
8 that deck.

9 MR. CASSISE: Let's just state the question
10 this way.

11 What percentage of the overall wire decking
12 market, in your experience, is accounted for by the
13 outdoor galvanized product?

14 MR. KEDAITIS: Again, I would have to
15 include our customers who inventory the product. WE
16 wouldn't know where that final product resides in its
17 application. I just want to be very clear on that.
18 There are two answers to that question.

19 The percentage of resellers that want an
20 outdoor product, versus a percentage of the end users
21 that want an outdoor product.

22 I would say a combined percentage of 10 to
23 15 percent would require a finish to be compatible
24 with an outdoor service life.

25 MR. CASSISE: Do you deal at all with the

1 used market?

2 MR. KEDAITIS: I do. Again, that is
3 something I feel I've been intimately involved with
4 within the time I spent in the industry. I believe
5 there is a factor that the used product as it becomes
6 available dilutes the demand for any new wire deck
7 whatsoever. It's very significant with pallet rack.
8 Of that I'm certain.

9 I would say it depending on the economic
10 period that we were in, it could be as high as 20
11 percent. And I say that because --

12 MR. CASSISE: Twenty percent of your
13 business or overall?

14 MR. KEDAITIS: I think it's 20 percent of
15 the market, and that's a very broad-based comment, but
16 I will refer to an earlier comment that said the dot
17 com boom that collapsed failed to produce that.

18 Well, I definitely disagree there because we
19 bought and traded wire deck and used pallet rack
20 significantly in that time. There's also a factor
21 that the market price of scrap steel affects that.

22 If the liquidated pallet rack wire decking
23 combination has a higher scrap value than traditional,
24 then it goes to scrap. It's liquidated. If not, then
25 it becomes resold and it's quickly absorbed across the

1 United States and resold in significant quantities.

2 MR. CASSISE: Okay. I just want to --

3 MR. KEDAITIS: Just a moment.

4 (Pause.)

5 MR. KEDAITIS: Mr. Wolfe just asked me to
6 include the comment, I think it goes back to the
7 galvanizing question earlier, Chris.

8 I mentioned our application of food and
9 beverage types of food and drug. Refrigerated
10 products certainly also demands, I'm including that
11 percentage. Refrigerated applications are included in
12 my percentage.

13 MR. CASSISE: So there are other uses for
14 galvanized product besides outdoor applications?

15 MR. KEDAITIS: Yes, sir. And it's a
16 significant factor in food and beverage, drug-related
17 applications.

18 MR. CASSISE: And the refrigerated --

19 MR. ASCIENZO: Which includes refrigerated
20 as food and drug. Yes.

21 MR. CASSISE: Is anyone on the panel
22 familiar with any imports from any other countries
23 coming in from, well, other countries other than
24 China? Non-subject imports. Is anybody familiar with
25 --

1 MR. KEDAITIS: Vic Kedaitis, I'll answer
2 that as well.

3 There is a single producer I'm aware of in
4 Mexico. I don't know of any current imports at this
5 time, but they are in the wire deck business in Mexico
6 at this time. And there was a Canadian presence at
7 some time. I can't speak for its exports into the
8 U.S..

9 MR. CASSISE: Does the five percent or less
10 percentage of imports sound reasonable to the panel?
11 The Petitioners said that imports from countries other
12 than China count for five percent or less. Is --

13 MR. KEDAITIS: I would agree with five
14 percent or less.

15 MR. CASSISE: Mr. Kedaitis, we also talked
16 briefly this morning about a qualification process
17 that some customers require. What is your experience
18 with qualification processes, if any.

19 MR. KEDAITIS: I would not have any
20 experience with that. My understanding is that the
21 qualification process is limited to, again, big box
22 retailers. I do believe WalMart is a very specific,
23 has a very specific policy of prequalification. I
24 believe Home Depot does too. But I don't have any
25 more experience than that.

1 MR. CASSISE: So of the three customer
2 categories, you're saying that only the big box
3 retailers have qualification processes? The
4 distributors and the OEMs do not?

5 MR. KEDAITIS: That's correct.

6 MR. CASSISE: That's all I have for right
7 now. Thank you.

8 MR. ASCIENZO: Thank you, Mr. Cassise. We
9 turn to Mr. St. Charles.

10 MR. ST. CHARLES: Hello, and welcome.

11 I have a few questions.

12 Ms. Levinson, you referred to the domestic
13 industries in your opening statement, to their
14 maverick behavior. I'm not sure what behavior you
15 were speaking of.

16 MS. LEVINSON: That's something that we'll
17 be detailing in our post-conference brief, but to give
18 you the flavor, there is one petitioning company that
19 has consistently underpriced Atlas, Atlas' customers
20 and Atlas' perspective customers, and as a result
21 Atlas has lost a great deal of sales to this one
22 petitioning company. So you will hear lost sales
23 allegations from the Respondents which is a way of
24 showing this very intense competition, and Atlas is
25 not bringing down the price. Atlas is finding that it

1 has to meet the prices of one of the petitioning
2 companies, and often it is unwilling to go that low.

3 MR. ST. CHARLES: You said you'll discuss
4 this more in your --

5 MS. LEVINSON: Yes. We're going to provide
6 evidence of the lost sales, yes.

7 MR. ST. CHARLES: Mr. Kedaitis, you said
8 that your sales have declined 65 percent, your imports
9 have declined 60. Does that mean you have growing
10 inventories?

11 MR. KEDAITIS: Is the question do I have
12 growing inventories?

13 MR. ST. CHARLES: Yes. Is the volume of
14 your inventories --

15 MR. KEDAITIS: There was a point where the
16 inventory was huge and it was large, and we've since,
17 during this POI we've just simply stopped reordering
18 because we were selling off very high levels of
19 inventory. Specifically in the last three quarters.
20 We were, I guess the term might be, destocking. We
21 were simply selling off very high priced and large
22 quantities of product at just, demand was just 65
23 percent less than it was the prior quarters.

24 MR. ST. CHARLES: Okay, thank you.

25 You've spoken about different timeframes

1 early on, and currently. Is it the case that you are
2 currently better able than the domestic producers to
3 provide technical support and service to your
4 customers?

5 MR. KEDAITIS: Yes, that's exactly what I
6 believe.

7 Part of what we do is to collect feedback
8 from our customers. I think that's just part of smart
9 business sense. And we consistently, and I think
10 we'll show specifically in a post-conference brief,
11 some of the examples and comments and reasons why a
12 lot of our customers do business with us, and very few
13 of them are based on simply lowest price.

14 I specifically disagree with that
15 characterization that low price is what wins the
16 orders here. Certainly it's a factor, but
17 it is absolutely, positively not the only factor.

18 I mentioned some things earlier.
19 Engineering expertise is one of them. We can take a
20 napkin sketch from a distributor who could be just
21 driving along in his car on the fly and turn that into
22 a drawing the next day with total global information
23 on what that product will do for him, including price,
24 so that he can in turn present it to his customer.
25 That's a very long way of providing an engineering

1 support statement.

2 That would be one of a number of reasons why
3 these distributors of ours rely on us.

4 MR. WOLFE: I just wanted to add one thing
5 to this. That is that price is certainly one way in
6 which you compete in a commoditized market, but the
7 reaction of the customer base and the reason why they
8 like to do business with Atlas is far broader than
9 that. I think that's one of the things that you'll
10 end up seeing in some of the post-conference brief
11 materials. But it's a relationship that has been
12 built up. It's one that is extremely sensitized to
13 the particular needs of those customers. It's a way
14 in which they're able to serve those customers in ways
15 that domestic producers that they compete with do not.
16 Those are all of the factors that ended up creating
17 some of the market share they've been able to get.

18 MR. ST. CHARLES: Finally, when you speak
19 about the importance of the outdoor service life, just
20 for clarification, you were also including the
21 distributors to whom you sell who want to warehouse
22 outdoors, right?

23 MR. KEDAITIS: That's correct, yes.

24 MR. ST. CHARLES: I have no more questions.
25 Thank you.

1 MR. ASCIENZO: Thank you, Mr. St. Charles.
2 We turn to Mr. Thomsen now.

3 MR. THOMSEN: Good afternoon. Thank you for
4 your testimony.

5 I'm going to start with a question for Mr.
6 Bin. We heard this morning that the Petitioners have
7 a very automated process. I'd like to know a little
8 bit more about the process in China. I've heard it's
9 semi-automated, but I don't really know exactly what
10 that means. Could you describe the process, whether
11 you're drawing your own wire, whether it's custom,
12 whether you have a big machine, whether it's a bunch
13 of hand labor that's straightening these, machines
14 that straighten them, so on and so forth. Just guide
15 me through the production process, if you will.

16 MR. BIN: Sang Bin speaking for the
17 question.

18 I think the process is almost the same as
19 domestic producer. I want to talk about the
20 difference.

21 The difference, at the beginning, we show
22 the raw material to the target diameter of the wire,
23 then cut, straighten and cut. The difference is they
24 use automatic machine that feeds the wire automatic
25 and takes the finished mesh from the production line

1 with some rubber, something. That's a different way.

2 We feed the wire, the cutting wire in some
3 die, and with men, with workers. Then to the semi-
4 automatic machine. The same way as automatic one.
5 Then on the other end we take it out with men. The
6 difference at the beginning and at the end.

7 For the roller, for the process, I think the
8 difference may be the speed. But I think we use
9 different process. Different material, sorry. I
10 think the domestic producers, they use wide band steel
11 sheet, and we use narrow one. The narrow one you can
12 find in China, not in America. Because narrow band
13 steel sheet is more cheap than the band one. We don't
14 need to cut the plate in our factory. We just
15 purchase that one from a mill directly with appointed
16 ways. Then to our roller. We use one worker to take
17 care of two roller machines.

18 The roller machine can form, support about
19 ten meters a minute, about 30 feet. Thirty feet a
20 minute. One worker, you can make about 50 feet a
21 minute.

22 So I think this is a little low speed, not
23 high speed than American producer.

24 At the end we wait the portion to the mesh
25 with manual. I don't know what they produce with

1 what. Maybe automatic, maybe not. I don't know. So
2 that's the difference.

3 MR. THOMSEN: Thank you very much for that
4 answer.

5 If I may turn to Mr. Wolfe and Mr. Kedaitis
6 now.

7 Mr. Kedaitis, I believe you said that you
8 have three distribution centers that closed, is that
9 correct?

10 MR. KEDAITIS: Yes, sir.

11 MR. THOMSEN: How many distribution centers
12 do you have in total?

13 MR. KEDAITIS: I currently have four.

14 MR. THOMSEN: So just less than half of them
15 have closed. Were those seven the most that you had
16 ever had?

17 MR. KEDAITIS: Yes, sir. That was the peak.

18 MR. THOMSEN: And that was in '07 that you
19 had?

20 MR. KEDAITIS: Yeah, mid '07 is when the
21 closure of those facilities and staff began.

22 MR. THOMSEN: Did the three close all at the
23 same time, or was it one after another after another?

24 MR. KEDAITIS: Within 60 days of each other.
25 A 60 to 90 day window all three were terminated.

1 MR. THOMSEN: Was that in '08, in '09 when
2 we started seeing this vast decline in demand? Or was
3 that in '07?

4 MR. KEDAITIS: When we closed in '07 there
5 was the early signs of decline and demand was
6 diminishing to where we felt we would leverage
7 existing facilities and maximize some of that as best
8 we could. There was just an underlying feeling that
9 there was something big coming.

10 MR. THOMSEN: If I may talk about the
11 products for a second. I noted in your testimony that
12 you mentioned a particle finish as one of the
13 finishes.

14 MR. KEDAITIS: Powder coat.

15 MR. THOMSEN: Oh, powder coat. I thought you
16 said particle. That's okay, I know what a powder coat
17 finish is, so that answers that question.

18 I also heard that you provide many different
19 colors.

20 MR. KEDAITIS: Yes, sir.

21 MR. THOMSEN: How many different colors do
22 you provide?

23 MR. KEDAITIS: I'm going to ask Bin as an
24 inventory question.

25 MR. THOMSEN: That would be great.

1 MR. BIN: I think in all we offer about 20,
2 30 different colors and we can offer any color.
3 Usually we have color cheap here, right? We have same
4 one, a lot of color samples. When the customer points
5 to one I want this color, he just give me a number
6 which color it is. Then we give the number to our
7 powder supplier, and they give us the color.

8 MR. THOMSEN: What is your most popular
9 color?

10 MR. BIN: Gray.

11 MR. THOMSEN: What percentage of sales does
12 that account for? The gray.

13 MR. BIN: Gray is I'd say 90 percent.

14 MR. THOMSEN: What percentage of your sales
15 are of powder coated versus just the electroplated?

16 MR. BIN: The percentage?

17 MR. THOMSEN: Yeah.

18 MR. BIN: Percentage for powder coating is
19 about 30 percent. And plating about 80 percent.

20 MR. THOMSEN: Did you say 30 and 80? Or 20
21 and 80?

22 MR. BIN: Sorry. 30/70, sorry.

23 MR. THOMSEN: We're always looking for that
24 extra 10 percent somehow, right?

25 I want to get back to this point of the 15

1 percent of your sales that are of these 4200 products.
2 Or the 15 percent of the market that are these 4200
3 specialty type products.

4 What percentage of your sales are in these
5 4200 products?

6 MR. BIN: Sorry, that percentage come from
7 our data.

8 MR. THOMSEN: So the 15 percent is what your
9 firm ships.

10 MR. BIN: Our experience.

11 MR. THOMSEN: And the 85 percent is again
12 from the same data source.

13 MR. BIN: Yes.

14 MR. THOMSEN: So that is not necessarily
15 what the market is showing, it's what your company or
16 your portion of the market is showing, if you were
17 representative of all the companies, correct?

18 MR. BIN: Uh --

19 MR. THOMSEN: I'm sorry, that's a little too
20 complicated question.

21 MR. BIN: Yes.

22 MR. KEDAITIS: I would answer yes to that
23 question. Yes. That's based on our purchasing and
24 his production.

25 MR. THOMSEN: Okay.

1 I also noted in your testimony that one of
2 the factors that was affecting your profitability and
3 your sales was a steady increase in steel prices. Is
4 this currently the cases for you?

5 MR. KEDAITIS: Yes, it is.

6 MR. THOMSEN: You're still seeing an
7 increase in steel prices?

8 MR. KEDAITIS: Yes, sir.

9 MR. THOMSEN: How does that mesh with the
10 available data that the prices for steel wire rod and
11 sheet steel have been falling for the last three
12 quarters by 37 and 52 percent respectively? Are you
13 locked into contracts that still have escalating
14 prices?

15 MR. BIN: I going to answer that question.
16 Someone just told me our industry is just like steel
17 service center. You make good decision, you make
18 money. You make bad decision, you lose money. So I
19 see the price get down from October of last year very
20 quickly. In China is 6,300 per ton, RMB, I mean.
21 RMB. Now it's, the bottom price in January, happens
22 in January, is about 3,100 per ton. So that's half.

23 At that time I make a decision to purchase a
24 lot of steel. In January I purchased more than 4,000
25 tons at that time.

1 MR. THOMSEN: When it was 6300?

2 MR. BIN: No.

3 MR. THOMSEN: When it was down at 3100.

4 MR. BIN: Yes, when it's down. So very low
5 price. We purchase a big amount of steel and store in
6 our factories, then we produce. That's why I say our
7 industry is just like steel service center.

8 MR. THOMSEN: When was that purchase of
9 4,000 tons?

10 MR. BIN: Sorry?

11 MR. THOMSEN: When was that purchase at 3100
12 RMB? Was that recently or was that --

13 MR. BIN: In January we placed the order for
14 the mill.

15 MR. THOMSEN: That's an order you've just
16 placed. Oh, in January.

17 MR. BIN: January, sorry.

18 MR. THOMSEN: Thank you.

19 So what you had been shipping to the United
20 States was based on the higher priced steel from
21 before? That amount then is -- Is that my
22 understanding?

23 MR. BIN: We settle the price. Is over
24 cost.

25 MR. THOMSEN: Your cost at the time when you

1 ordered it or your cost that you currently --

2 MR. BIN: -- inventory.

3 MR. THOMSEN: The cost of inventory, okay.

4 So how long would it take you to use all
5 those 4,000 tons then?

6 MR. BIN: Usually the lead time for the mill
7 is about half month to one month. So when I place
8 order with the mill, they will give me the steel maybe
9 two or three weeks later I can use it.

10 So I got the steel, I make the price
11 according to the inventory.

12 MR. THOMSEN: If I may switch gears here
13 again and go to the 10 to 15 percent lower price at
14 one Petitioner that you've competed against. You've
15 noted that's the pricing for one particular
16 Petitioner. What about the industry in general? What
17 about those other Petitioners and the other companies
18 in there? Are you seeing that your pricing is a
19 little bit lower than what they're pricing at?

20 MR. KEDAITIS: With the exception of a
21 single Petitioner, I observe, and I can document that
22 we're generally speaking, generally competitive. It
23 really would boil down to the final destination of the
24 product. If it's near one of my warehouses then
25 certainly that FOB delivered point would be the only

1 difference.

2 So we're market priced in general, and then
3 subject to any geographic destination.

4 MR. WOLFE: This is Kerry Wolfe.

5 I think what you were asking is whether or
6 not that one outlier was just out there and there were
7 others that you could be competing against. It seems
8 that the whole market price strategy and structure has
9 changed based on some of that.

10 That's driven the price down. Rather than
11 Chinese imports bringing the price down. Prices have
12 come down to try to meet what seems to be a new market
13 floor.

14 MR. THOMSEN: Okay.

15 You noted that you were going to be
16 providing some examples of some lost sales that you
17 had. I am interested to see that. Can I ask, just to
18 get a preview of what you're going to be submitting,
19 are these going to be documented cases? Affidavits
20 from purchasers? Are they going to be quotes that you
21 had submitted or quote pages?

22 MR. KEDAITIS: It will be a combination of
23 quotations with specific details to the product
24 specification which will include weight, FOB
25 destination, distributor name, quantity. It will be a

1 total disclosure of a quotation as is traditional for
2 us. And it would either be a competitive quotation,
3 price sheet, or an individual named at the buying end
4 and comments noted as to why the order was lost.

5 It will be very verifiable to the purchasing
6 end.

7 MR. THOMSEN: Okay.

8 When you contact purchasers, do you agree
9 with what Petitioners were saying that purchasers are
10 typically looking for a specified size and capacity?
11 Or are they looking for more of the coating and
12 different effects?

13 MR. KEDAITIS: I don't agree entirely,
14 because although size, I would agree that size 42 inch
15 deep by 46 inch wide is certainly the lion's share of
16 the application, what is changing and has been
17 changing for a number of years, even beyond this POI,
18 is the capacity requirements. Many applications are
19 not 2500 pound requirements. Petitioners have offered
20 only a 2500 pound option. I'm not going to say that's
21 universally across the board, but there's been an
22 over-spec many times where we feel if there's a 500
23 pound or 1000 pound application and the distributor is
24 specifying it, we design a deck to hold the correct
25 capacity and support and document it with engineering

1 data. So there's a size and a fit and a design to
2 match the application, as opposed to significantly
3 over spec'ing and providing a deck that's three times
4 what the distributor is asking for.

5 So it's part of our several thousand SKUs,
6 it falls outside that traditional box significantly.
7 And it's a piece of the value added that we bring, to
8 engineer the deck to the application. More
9 frequently.

10 MR. THOMSEN: Okay. And when you're
11 engineering your decks, is there a type of
12 certification that you're able to get, ANSI
13 certification or something?

14 MR. KEDAITIS: We're members of the Material
15 Handling Industry of America. And also inclusive of
16 that is the Rack Manufacturer's Institute. And I
17 guess that's a good point to note, that not all of the
18 Petitioners or supporters here are members of that
19 association, which I find interesting. So, we
20 subscribe and adhere to what the industry regulate --
21 not a regulation -- it's a voluntary compliance, but
22 we invest in our testing and document our engineering
23 with certified PEs and subscribe to the regulations of
24 the ANSI and their testing criteria and the RMI Group,
25 as we sit and discuss those regulations.

1 MR. THOMSEN: And is there certification
2 granted of some sort?

3 MR. KEDAITIS: There is a thing called an R-
4 Mark, which is licensed to the specific manufacturer
5 or distributor, who goes through that criteria and has
6 documentation, independent documentation of all the
7 engineering data and criteria. So, the end result is
8 an R mark and it's a unique license assignment.

9 MR. THOMSEN: And are your decks
10 manufactured to the R-Mark specification?

11 MR. KEDAITIS: We are an R-Mark member, yes.

12 MR. THOMSEN: Okay. I'm not sure if it's
13 business proprietary or not what members are certified
14 to R-Mark. You said that you know that some are and
15 some aren't. I'm not sure whether that's business
16 proprietary. If it is, can you submit that in your
17 post-conference brief?

18 MR. KEDAITIS: The members that are not --
19 the names of those Petitioners or supporters that are
20 not R-Mark members, is that your question?

21 MR. THOMSEN: Right.

22 MR. KEDAITIS: Sure; yeah, absolutely.
23 That's very public knowledge, yes.

24 MR. THOMSEN: Okay. If you can do that and
25 also I may ask Petitioners, also, if you would submit

1 that, which members are and aren't, then that would be
2 great. Let me just make sure I don't have anymore
3 questions for you before I turn it over to -- I think
4 that -- if I have anything else, I will come back.
5 Thank you for your testimony.

6 MR. ASCIENZO: Thank you, very much, Mr.
7 Thomsen. We turn to Mr. Houck.

8 MR. HOUCK: Thank you to the panel and
9 particularly Mr. Song for coming all the way from
10 wherever to be with us today. I just have one area
11 that I wanted to get into. Mr. Kedaitis, I just want
12 to explore a little further exactly what your role is
13 in this industry. You are a -- would you call
14 yourself a master distributor?

15 MR. KEDAITIS: I could. I guess I would
16 describe myself as an importer or maybe a master
17 importer would be the descriptive term. I think it is
18 a little unique. It's unique because we have an
19 exclusive arrangement with the largest wire deck
20 producer in China. I mean, that's an absolute fact.
21 And we are without a doubt the largest importer of
22 wire deck in the United States.

23 MR. HOUCK: Okay. And as such, you are the
24 purchaser of this product; correct?

25 MR. KEDAITIS: Yes, sir.

1 MR. HOUCK: And you're carrying inventories
2 in various locations around the country? You spoke of
3 four locations and so forth.

4 MR. KEDAITIS: Yes, sir.

5 MR. HOUCK: That's product that you own?

6 MR. KEDAITIS: Yes, sir. That was owned
7 inventory, yes.

8 MR. HOUCK: Okay.

9 MR. KEDAITIS: And that's a great point, Mr.
10 Houck. This inventory is not only a significant
11 investment to provide a service to the distributor
12 market in material handling, they're either wholly-
13 owned leased operations with Atlas staff or some
14 contractual arrangements that's unique to our needs.
15 This is not to be confused with simple, casual
16 relationships that some of the replicators of our
17 model have tried and, as a result, have failed. These
18 are significant investments that replicators have not,
19 you know, been willing to make and they're a little
20 misleading when their shipping points are described
21 the same way we describe them, but the inventory is
22 very dramatically or to control those inventories and
23 to control those locations varies dramatically.

24 MR. HOUCK: But as a distributor and a
25 holder of inventory of whatnot, you are providing a

1 valuable service?

2 MR. KEDAITIS: Yes, sir.

3 MR. HOUCK: Now, do you view yourself as
4 competing with the mills, with the U.S. producers? Or
5 do you view Mr. Song as a competing with the U.S.
6 producers?

7 MR. KEDAITIS: When you say 'mills,' do you
8 mean does Atlas compete with the steel mills or does
9 Atlas compete with the domestic producers?

10 MR. HOUCK: With the U.S. producers of raw -
11 -

12 MR. KEDAITIS: Producers, yes.

13 MR. HOUCK: -- of raw material today?

14 MR. KEDAITIS: I would clearly say that
15 Atlas is a competitor of the U.S. producers. Yes,
16 that's undeniable.

17 MR. HOUCK: Okay. So, it would be -- so in
18 a sense, the Chinese import is coming in at a
19 different level of competition from the U.S. product?

20 MR. KEDAITIS: I'm not sure I understand the
21 question.

22 MR. HOUCK: Well, let me try to rephrase it
23 a little bit. You are selling, as I understand it,
24 only to distributors:

25 MR. KEDAITIS: That's correct.

1 MR. HOUCK: Who, in turn, are selling to
2 customers, users?

3 MR. KEDAITIS: Yes.

4 MR. HOUCK: Consumers? Mr. Song is selling
5 to you. The U.S. industry witnesses that were here
6 today are selling to distributors and users and I
7 suppose would be willing to sell to you; but, by and
8 large, you get some of your supply from them.

9 MR. KEDAITIS: Yes. They, also, sell to
10 Atlas, yes.

11 MR. HOUCK: So, in that sense, you're
12 downstream?

13 MR. KEDAITIS: Yes.

14 MR. HOUCK: That's all the questions I have.
15 Thank you, Mr. Chairman.

16 MR. ASCIENZO: Thank you, Mr. Houck. And
17 now we turn to the supervisory investigator, Mr.
18 McClure.

19 MR. MCCLURE: Jim McClure, supervisory
20 investigator. Following up on the point about a
21 couple of the U.S. producers sell to you, was that
22 correct? I think you testified --

23 MR. KEDAITIS: Yes, yes.

24 MR. MCCLURE: Okay. And I seem to recall
25 that you said you would probably be one of the largest

1 accounts for those producers, is that correct?

2 MR. KEDAITIS: Um --

3 MR. MCCLURE: Or you would believe it to be
4 the case?

5 MR. KEDAITIS: I have been told at least two
6 times in this POI period that Atlas's purchases to a
7 specific domestic supplier were among the top five.
8 In that calendar year or fiscal year, I don't recall
9 that we were among their top customers, so to speak.

10 MR. MCCLURE: Specifically, why do you have
11 this exclusive arrangement with Mr. Song? Why would
12 you be purchasing from the U.S. producers? Are they
13 producing something that Mr. Song doesn't produce or
14 was the price better?

15 MR. KEDAITIS: It would be a delivery issue.
16 If our customers demanded an order to be filled in
17 greater than the four- or five-week window, or there
18 was simply a lower-priced point, or a faster lead
19 time, or a more favorable destination, any one of
20 those three or a combination of all of those three
21 would be a reason I would buy domestically.

22 MR. MCCLURE: Okay. It strikes me in a
23 couple of those instances, it would suggest that these
24 are smaller sized orders perhaps?

25 MR. KEDAITIS: No, not necessary.

1 MR. MCCLURE: Okay.

2 MR. KEDAITIS: I wouldn't limit it to small.
3 I can quickly say that it could be a small one or it
4 could be a very, very significant order, thousands of
5 pieces; yes.

6 MR. MCCLURE: Okay. You're the biggest in
7 the quarter and we asked Petitioners this morning if
8 they could identify for us other ABM quarters. I
9 mean, obviously, we've seen the number isn't as large
10 as initially in the petition, given the number of nos
11 we've gotten. Some of the people, who have responded,
12 have come back and they've actually been consignees,
13 who may have ultimately been one of your customers or
14 somebody else's. Can you name some other 'big
15 importers?'

16 MR. KEDAITIS: Well, yeah, very easily.
17 Certainly, I would say again that Atlas is the biggest
18 importer of wire products. I think we've established
19 that. I believe that Nashville Wire is the second
20 biggest importer of wire products in the United
21 States. And the third largest would be Mighty Lift,
22 as the third importer.

23 MR. MCCLURE: And collectively, then, you
24 would say the three of you account, again an estimate,
25 for what portion of product we're receiving from

1 China, I would say in excess of 90 to 95 percent are
2 represented by these three companies.

3 MR. MCCLURE: Okay. On this 85 percent, 15
4 percent thing, the 85 percent represents the nine
5 biggest model's products, whatever. So, you would
6 call that -- that is really the bulk of where you
7 compete head-to-head with the Petitioners?

8 MR. KEDAITIS: Yes.

9 MR. MCCLURE: So, 85 percent of your
10 imports, you're competing head-to-head for sales with
11 Petitioners?

12 MR. KEDAITIS: Generally speaking, yeah. I
13 would take a quick inventory of the nine -- or I
14 believe there were six sizes mentioned in the
15 questionnaire.

16 MR. MCCLURE: Well, yeah, but we -- so
17 questionnaire respondents don't storm the barricades
18 and club government workers to death, we don't list
19 every possible item.

20 MR. KEDAITIS: Sure.

21 MR. MCCLURE: We aren't coming out with
22 4,200, believe me.

23 MR. KEDAITIS: Yeah.

24 MR. MCCLURE: But, anyway, we --

25 MR. KEDAITIS: I appreciate that.

1 MR. MCCLURE: Yeah. We weren't necessarily
2 saying the six were the largest. We always try to get
3 representative price and products where there is a
4 belief there is head-to-head competition.

5 MR. KEDAITIS: Yes. We would compete
6 directly with those numbers -- those nine sizes.

7 MR. MCCLURE: Okay. So that suggests most
8 of the products you bring in to China is in direct
9 competition. I'm just getting to the point, it
10 strikes me in this 15 percent thing, are you making an
11 argument that you're providing something that they
12 can't or won't do and, therefore, we shouldn't --
13 that's really the problem?

14 MR. KEDAITIS: I mean, I'm trying to explain
15 to the panel that, you know, there's a differentiation
16 of how we go to market and there's a different
17 association on why we have the market share that we
18 do, which, by the way, is not, in my mind, a
19 significant market share. We don't compete on price
20 only. I think that's fundamentally important in this
21 case because the buyers are strictly -- they're
22 certainly looking for value, but price point is not
23 the final determination of that value. And we won our
24 market share for reasons other than price. In the 85
25 percent, let's just say that's --

1 MR. MCCLURE: As well as the 15.

2 MR. KEDAITIS: Yes, specifically the 15,
3 because that's an exceptional, call it a niche, if you
4 will, that I think we're good at. But, if you looked
5 at the mainstream 85 percent rule, we compete fairly
6 and regularly and we win a bunch and we lose a bunch
7 and it's not because of the price that we win it.

8 MR. MCCLURE: Okay.

9 MR. WOLFE: This is Kerry Wolfe. Just to
10 piggyback a little bit on that. I think the other
11 thing that is probably true is what's been happening
12 with our market share recently, I think our market
13 share has been declining and I don't know that we
14 really articulated that. But, I think it's an
15 important factor over the -- certainly the last two
16 fiscal quarters for sure. Is that true, Vic?

17 MR. KEDAITIS: Yeah. I'll elaborate a
18 little bit more there. I will say that for the last
19 year or so, we've been reporting our sales data to the
20 Material Handling Institute of America and they
21 calculate market share and I will say that our market
22 share has decreased significantly from 2007 to 2008.
23 I don't have any more history than that to report; but
24 according to their calculation, we have lost market
25 share.

1 MR. MCCLURE: One last thing, I asked this
2 morning about the quality issues that Ms. Levinson had
3 raised and I asked Petitioners to respond and
4 specifically Mr. Wagner respond for the Petitioners
5 that he essentially felt the quality was pretty close.
6 And are the quality differences you're making
7 reference to across the board or just in the 15
8 percent, because Petitioner allegedly isn't competing
9 there, or is it in the 85 percent?

10 MR. KEDAITIS: I would clearly say it's
11 squarely in the 85 percent. And I say that with
12 reference to the fact that the majority of what we
13 purchase are post-welded galvanized product, which
14 serves our broader base of industry and there is not a
15 domestic supplier that will provide a post-welded
16 galvanized product as part of their regular product
17 line. You've heard reference to the hot-dipped and
18 things. That's a custom product, as far as I'm
19 concerned. That's certainly a very unique, specific,
20 and extraordinarily expensive process and it has its
21 own applications. But, our regular bread and butter
22 is post-welded galvanized and it serves a greater
23 broader base and it performs across a wider spectrum.

24 MR. MCCLURE: Where did the environmental
25 regulations in the two countries come in to the fact

1 that your client can produce them?

2 MR. KEDAITIS: Where did the environmental -

3 -

4 MR. MCCLURE: Environmental regs -- I mean
5 the fact that the EPA proscriptions over here may make
6 that an unattractive -

7 MR. KEDAITIS: Yeah. Galvanizing certainly
8 is not an environmentally friendly process that we all
9 would agree on. And, certainly, I think the hot-
10 dipped is even more unfriendly. So, I'm not sure how
11 to answer that. I guess any kind of coding has
12 restrictions and the limited ability of -- the
13 limitations due to the EPA are directly related to the
14 finishes available on the domestic industry. I would
15 agree with that, yes.

16 MR. MCCLURE: And they are less restrictive
17 in China?

18 MR. KEDAITIS: I'm going to ask Mr. Bin to
19 respond to that to be sure.

20 (Pause.)

21 MR. BIN: Yeah. They do have a set of laws
22 for the galvanizing plant. Our environment is -- they
23 have a great deal, greater duty for that. And when I
24 built my second factory, I was applying license for
25 the galvanizing plant and I'm refused because the

1 Dalian Government, they just refused -- keep the
2 number of the galvanizing plant no more, because they
3 have a critical standard for the location of the
4 galvanizing plant. So, they said my location is not
5 suitable for galvanizing. And so, it's not -- let's
6 say, galvanizing cost is lower than the powder coating
7 costs. I have powder coating, nine factories.

8 MR. MCCLURE: Did the fact that you didn't
9 get that permit lead to the decision to close or was
10 that just --

11 MR. BIN: You mean the cost of first factory
12 in this year? That's because of the recession, you
13 know, no order --

14 MR. MCCLURE: Okay, okay. Thank you. That
15 concludes my questions. I would like to thank you all
16 for coming, as Gerry Houck said and Mr. Song, in
17 particular, for making the long journey. And that
18 concludes my questions.

19 MR. ASCIENZO: Thank you, very much, Mr.
20 McClure. I think I have only one question and it's
21 for Ms. Levinson. Hopefully, you heard the question I
22 asked Ms. Cannon -- or asked the panel and Ms. Cannon
23 answered about your opening arguments, and I don't
24 want to misquote her, but I think she essentially
25 said, well, imports have to be a cause. Do you

1 essentially agree with her or do you want to add any
2 comments? And Mr. Wisla?

3 MR. WISLA: Well, yes. She is correct, it
4 just has to be a cause. It doesn't have to -- but,
5 we, also, worded our statement as saying that the
6 recession was the sole cause.

7 MS. LEVINSON: I would add to that, that,
8 yes, the law is clear. The cases are clear. Ms.
9 Cannon correctly characterized them. The injury has
10 to be a cause. The imports have to be a cause. What
11 we're saying is that imports are not a cause here.
12 The overriding cause is the recession, a combination
13 of the recession and the Petitioners own inability to
14 modernize and to provide a level of customer service
15 and a level of product lines that allows them to
16 compete effectively against Atlas.

17 MR. ASCIENZO: Thank you, very much. I
18 believe Mr. Houck has a follow-on question.

19 MR. HOUCK: Thank you, Mr. Ascienzo. I have
20 just one further question for clarification. On your
21 statement, that you thought -- I believe it was 90
22 percent of the Chinese imports were accounted for by
23 those three importers that you mentioned, the
24 remaining 10 percent, does that -- are the direct
25 imports by the Big Box consumers shrunk into that 10

1 percent or is there another piece that represents
2 them?

3 MR. KEDAITIS: Would it be okay if Mr. Bin
4 answers? Then, I can follow, as well.

5 MR. HOUCK: Yes, thank you.

6 MR. BIN: Because this data comes from my
7 stuff, they collect all of the American Custom data
8 and analyze it and give me a kind of spreadsheet. So,
9 I know that. Some -- we have an appearance (phonetic)
10 that some dealer or distributor in the United States
11 approach us. They want to just directly from us. And
12 we just attended this meet through Atlas. So, I think
13 it's going to happen to other factories in China, some
14 small dealer or distributor, they just want to buy
15 directly from Chinese factory to save cost.

16 MR. KEDAITIS: I'll add, I don't have any
17 specific knowledge -- I think your question is this 10
18 percent, does it include the Big Box business or not.
19 I would describe that the remaining 10 percent,
20 outside of the three major importers, would represent
21 just occasional, very small independent entities that
22 supplement some of their product line with wire
23 decking. So, they're very independent and probably
24 are better referred to as simple trading companies, on
25 a one-on-one basis that are not modeling as an

1 importer on a regular basis. I hope I answered that
2 correctly.

3 MR. HOUCK: So, you don't think that there
4 are direct imports by those Big Box people?

5 MR. KEDAITIS: I don't know for sure. I
6 would suspect that to some degree, there is. I do not
7 believe, however, they would constitute any of these
8 specific mainstream sizes that were mentioned in the
9 petition. I do not believe the Big Boxes would import
10 that kind of product.

11 MR. HOUCK: They would not import what, I'm
12 sorry?

13 MR. KEDAITIS: I'm saying that the Big -- I
14 do not have current knowledge on the Big Box imports.
15 However, my opinion is that the Big Boxes would not be
16 a consumer or buyer of these mainstream sizes, the 85
17 percent that Mr. McClure was referring to. I'm
18 confusing that a little bit, I know.

19 MS. LEVINSON: Mr. Houck, just to clarify.

20 MR. HOUCK: It would be subject product.

21 MS. LEVINSON: I think all he's saying is
22 that they're not importing those products. He's not
23 commenting on whether it's subject --

24 MR. HOUCK: They're not importing subject
25 product?

1 MS. LEVINSON: No, that's not what he said.
2 He said they're not importing the 85 percent of the
3 most common -- that are constituted by the most common
4 models, which is all subject merchandise, but, in
5 addition, other things are subject merchandise. A
6 hundred percent of --

7 MR. HOUCK: They are importing subject
8 product, but whatever they're importing is within the
9 10 percent that's not represented by the three major
10 importers that you mentioned?

11 MR. WOLFE: I don't think that's correct.

12 MR. KEDAITIS: I apologize for any
13 confusion I may have caused. If the three factories,
14 manufacturers export 90 percent of all the wire deck
15 exports, I'm saying that there is a remaining 10
16 percent that is unaccounted for, so to speak, and that
17 10 percent can be explained as small and occasional
18 importers of product that probably will disappear in
19 the next 12 months. So, the 90 percent would include
20 any product that the Big Boxes may have imported over
21 that period of time. And maybe the definition of the
22 subject product, if that definition is the six
23 products that were mentioned in the petition, if it's
24 100 percent of wire decking, then I would say that the
25 Big Boxes import some of that 90 percent. They're

1 responsible for some of that 90 percent.

2 MR. HOUCK: Of the 10 percent or the 90
3 percent?

4 MR. KEDAITIS: Of the 90 percent.

5 MR. HOUCK: Okay. So, that could be a
6 significant part of the total imports?

7 MR. KEDAITIS: Could be, yes.

8 MR. HOUCK: Thank you.

9 MR. ASCIENZO: That's it? Mr. Thomsen? I'm
10 sorry, go ahead.

11 MS. LEVINSON: I'm afraid that there may
12 some confusion that is still raised, so we would like
13 to take a moment to try to clarify it. I believe that
14 Mighty Lift, Atlas, and Nashville Wire are the largest
15 importers. They account for about 90 percent of the
16 imports coming into the United States. In addition,
17 there is another 10 percent, obviously, left over that
18 would be constituted by smaller independent importers
19 and perhaps by the Big Box -- no? I'm making it
20 worse.

21 MR. WISLA: The Big Box people would be in
22 that 90 percent that's --

23 MS. LEVINSON: Give us one second.

24 (Pause.)

25 MS. LEVINSON: Mr. Kedaitis has clarified.

1 I believe, if I'm understanding correctly, that the
2 Big Box companies are purchasing from some of the
3 importers, so that their imports are captured by the
4 imports of the 90 percent, the importers that
5 constitute the 90 percent. Is that right?

6 MR. KEDAITIS: Yes.

7 MS. LEVINSON: Okay.

8 MR. WISLA: And we don't sell to them.

9 MR. WOLFE: Your question, I thought, was
10 are any of the Big Box directly importing from China.
11 That was, I thought, your question; right?

12 MR. KEDAITIS: And, again, my answer is that
13 I believe that they do to some extent, but I could not
14 comment further on what it is that they're importing
15 as it relates to the subject product.

16 MR. ASCIENZO: We're all on the same page,
17 right? Okay. Thank you, very much, and I think Mr.
18 Thomsen has a follow-on question; is that correct?

19 MR. THOMSEN: I do. Actually, I have a
20 follow-up question and a follow-up request, if that
21 may be, and they are somewhat related. You did
22 mention that the Material Handling Institute follows
23 and calculates market shares?

24 MR. KEDAITIS: Yes.

25 MR. THOMSEN: Is that data on the record?

1 Ms. Levinson, has that been submitted?

2 MS. LEVINSON: Not yet, not yet, but it will
3 be when we -- yes.

4 MR. THOMSEN: If you would please submit
5 that and anything that is specific to wire decking,
6 that would -- any kind of analysis or tracking that
7 they do.

8 MS. LEVINSON: Yes. We will be happy to.
9 We were planning to.

10 MR. THOMSEN: Okay. And the second thing
11 is, it was mentioned in the same breath about what's
12 been happening in the last two fiscal quarters. Is
13 that referencing the last quarter of 2008 and the
14 first quarter of 2009 or is that -- that's correct?

15 MR. WOLFE: In that last period of time, I
16 believe that there has been declining market share
17 since the last quarter of -- at least since the last
18 quarter of 2008.

19 MR. KEDAITIS: Yes, right.

20 MR. THOMSEN: Okay. We've got about four
21 more days, two more days if you exclude the weekend,
22 in the second quarter of 2009. What has been
23 happening to your sales in this most recent quarter
24 that is not quite wrapped up yet?

25 MR. KEDAITIS: I would describe it as a

1 decelerating decline. It's on a decline, but at a
2 lower rate.

3 MR. THOMSEN: So, you are still losing
4 business, but just not as fast as you did in the first
5 --

6 MR. KEDAITIS: Compared to the previous two
7 quarters, yes.

8 MR. THOMSEN: Okay, okay. I figure that's
9 all the questions that I have. Thank you, very much,
10 to the panel and I'll pass it back to Mr. Ascienzo.

11 MR. ASCIENZO: Thank you. Do we have any
12 follow-on questions?

13 (No further questions.)

14 MR. ASCIENZO: Thank you, very, very much
15 for your presentation and the answers to our
16 questions. And I will take a slight break and we will
17 have closing comments. Ms. Cannon and Mr. Luberda,
18 approximately how much time do you need? Five minutes
19 or less? Okay, thank you. Thank you, very much,
20 panel.

21 (Whereupon, a brief recess was taken.)

22 MR. ASCIENZO: If everyone could take their
23 seats, we'll proceed with closing statements.

24 MS. CANNON: Thank you, Mr. Ascienzo and I
25 appreciate the staff's attention to a long day. Let

1 me just make a few closing remarks. First, I would
2 like to note for the record that the Commerce
3 Department has initiated this case and I mention it
4 because I find the level of margins particularly
5 significant. The antidumping margins at which
6 Commerce initiated were 143 to 316 percent and that
7 initiated a countervailing duty investigation of 32
8 subsidy programs. And I think the level of those
9 margin s and the extent of those programs is
10 indicative of what has been responsible for the
11 significant unfair pricing practices that we have
12 identified today.

13 In responding to the comments you heard from
14 Atlas, I want to ask you first to keep in mind that
15 this case is about China collectively and not just
16 Atlas, although they are certainly a significant part
17 of the problem. Atlas continually differentiates
18 between what they do and what the Petitioners do.
19 But, it's collective Chinese imports, which include
20 significant other imports, as well, that needs to be
21 the focus of this investigation. And that's part of
22 the problem here, is that you haven't received
23 responses from some of these other suppliers out there
24 to get a complete picture. But even if we look at
25 Atlas alone, they're incorrect to claim that they are

1 not significant or that their imports are not
2 increasing as a relative share of the market over the
3 POI.

4 They do claim that they have lost some sales
5 more recently; but, we note that we have seen a lot of
6 increases recently in sales of other Chinese
7 importers. And so those sales have probably been lost
8 to the other Chinese importers, again for reasons of
9 price.

10 With respect to the import volumes, I would
11 say that the information that you have on the record,
12 though incomplete, is very clear in showing that there
13 are substantial volumes on an absolute basis and
14 relative to the U.S. market of these Chinese imports.
15 And those volume levels will only increase as
16 additional questionnaire responses are received,
17 whereas the U.S. database is complete. So, our market
18 share isn't going to go up at all in the future.

19 Number two, the trends of the data that are
20 there are consistent with the showing of injury and
21 not what they have described them to be.

22 And, finally, I just urge you to think about
23 the imports in the context of all of the market
24 conditions you've heard and that are indicated in your
25 record, which are significant and consistent

1 underselling by imports of a commodity product with a
2 lot of lost sales also corroborated on the record.
3 When you have that type of fact pattern, which you
4 have in spades in this case, then the question is, you
5 know, who is gaining and who is losing market share.
6 So, when you have an incomplete database, I think that
7 you can use that data also to draw some conclusions as
8 to what the likely trends are in the market share.

9 I would also note with respect to volume
10 that Atlas admitted today that they were destocking
11 inventories in the first quarter of 2009. And that's
12 also part of the causal nexus because when you destock
13 inventories and you sell out at a low price into the
14 U.S. market, that's what the domestic industry was
15 citing to, in terms of contributing to the downturn in
16 their financial performance that you have seen.

17 Dalian says that they sell only to Atlas, so
18 they do not impact the domestic industry. That's
19 wrong in two ways. First, Atlas admitted that it buys
20 from the domestic industry, so the domestic producers
21 lose sales that they could be making to Atlas or other
22 distributors. And second, none of the U.S. producers
23 here really believes that they are one of the top
24 customers of Atlas, in any event, because of the low
25 prices. Atlas is largely seeking to buy the Chinese

1 product. And, finally, even where these sales are
2 being made by the Chinese producer to Atlas and Atlas,
3 in turn, to its distributors, it uses that price to
4 undersell the domestics at the distributor accounts.
5 So, there is definitely a causal nexus at all levels.

6 Let me turn now to I think what was the
7 focus of their testimony this morning and that was why
8 everything except price is supposedly responsible for
9 the injury that we've seen today and for the Chinese
10 large market share. First, they cited lead times,
11 that somehow their lead times from China are stronger
12 than that of the U.S. industry. That's just wrong.
13 Mr. Wagner this morning testified that if he got a
14 call at 3:00 p.m., he would get product on the floor
15 of his customer the next day.

16 They cited quality. The U.S. product's
17 quality is as good or better than the Chinese product.
18 This is a completely interchangeable product. There
19 are no quality issues here.

20 In terms of distribution, U.S. producers are
21 located around the country. We heard testimony this
22 morning from the industry witnesses as to where their
23 warehouses are. We can supply the product on a
24 nationwide basis. So, they don't have that advantage
25 either.

1 They mentioned finishes. They mentioned
2 colors. Again, U.S. producers can supply all of that.
3 And their emphasis on the end of being modernized was
4 just simply absurd, because the U.S. is a highly
5 automated facility, as some of your staff members had
6 an opportunity to observe when they toured the nation
7 facility.

8 On the quality point, in particular, Mr.
9 Houck and Mr. Thomsen toured the Nashville facility.
10 They saw the product. It had no rust problems. It's
11 not chipping paint or all the other types of problems
12 they identified. And, in fact, when pushed on it, I
13 believe they said that most of those problems they
14 were seeing were prior to the period of investigation,
15 in any event.

16 Let me -- I thought we had 10 minutes and we
17 only have five?

18 MR. MCCLURE: I'm sorry, my mistake.

19 MS. CANNON: Okay, okay. It's a long day,
20 that's okay.

21 Coating, the post-galvanized product that
22 they cited as being their specialty, first of all, the
23 U.S. producers do make it. ITC has it sitting on the
24 floor of warehouses right now ready to be delivered.
25 Second, it competes across the board with all of the

1 coated product that the U.S. producers make. And it's
2 a limited part of the market that only requires that,
3 well less than five percent. And, finally, if it is
4 so superior, why is it underselling the U.S. price?
5 It's kind of a consistent theme that we have here.

6 They admitted, actually, that they supply
7 and compete with 85 percent of the market. So, there,
8 alone, you've got them competing against the vast
9 majority. But, it's totally incorrect, their claim
10 that they're not competing with 15 percent of the
11 market that is this customized product. The U.S.
12 producers make a customized product. In fact, they
13 probably specialize in that, because they're able to
14 do that and turn that around very quickly. Nashville
15 has a thousand different SKUs in warehouses at any
16 given time. So, it's not correct that they have an
17 advantage with that either.

18 They cited capacity, that they have bigger
19 capacity. Nashville stock 42 by 46 in four capacity
20 levels and they can make any level. So, they're both
21 under and over this 2,500 pound capacity that they
22 cited.

23 Better service, they claim, and more product
24 offerings. Then why at 20 percent cheaper price?

25 They differentiate that they have different

1 product offerings. U.S. has all of that. Different
2 service centers. U.S. has all of that. Engineering
3 design resources, the U.S. is well better than China
4 in that respect. And the other differentiation is
5 price. Well, there, they've got us. They do sell at
6 a lower price. And if you would just look at the data
7 you've collected, it corroborates that, in fact, they
8 can buy it at prices that are lower than what they're
9 getting in China.

10 They focused on a single Petitioner that
11 they didn't identify, supposedly providing lower
12 prices. So, we'll wait to see those details later.
13 But, then, when pushed, they basically said that they
14 are market priced and so, yeah, we would agree if
15 market price is defined to be their price, they're the
16 price leaders on the low side and they set the market
17 price that we all have to try to come down to meet.

18 Their testimony that everything but price is
19 the problem here is wholly inconsistent with the ITC
20 database, which shows consistent underselling by these
21 Chinese imports. There is a causal nexus here between
22 these large volumes and the lower-priced imports and
23 that correlates exactly with the U.S. producer's
24 financial declines. They're not due to the recession
25 -- we've made money even in a downturn -- and they're

1 not due to raw material costs.

2 And, finally, let me just say that I want to
3 give you a sneak preview of something that they
4 mentioned, which is they said they're going to show
5 you on the record -- in the post-conference brief, all
6 this evidence from purchasers about the price. We
7 have a declaration here that we received that
8 basically Atlas is circulating, where they're already
9 writing for their purchasers why it's everything but
10 price, that we'll be happy to supply to you, so you
11 can see in advance of the post-conference brief what
12 supposedly substantiates their claims that they're
13 telling their purchasers to tell you it's not price,
14 it's everything else. Thank you.

15 MR. ASCIENZO: Time check?

16 MR. PRICE: Okay. Real quickly and Ms.
17 Cannon already hit almost every point I was going to
18 hit, so I'll just come down to one point here, which
19 is some cases are timing stories. Some cases are not.
20 This case is one where there is significant imports
21 throughout the period of investigation. There is
22 significant underselling throughout the period of
23 investigation. Profits have been frankly poor
24 throughout the period of investigation and
25 deteriorating in this industry.

1 Imports in this case have caused material
2 injury throughout the period of investigation.
3 They've caused injury in 2006, in 2007, in 2008, and in
4 the interim period. But because this has been injury
5 throughout the entire period, you can look at trends,
6 you can ignore trends. The bottom line, this industry
7 is competing head-to-head. It has competed on price.
8 The Respondents have conceded, they've conceded direct
9 competition over virtually the entire market, but in
10 this competition of custom market and the commodity
11 market. There is little question that there is a
12 reasonable indication of material injury by reason of
13 the subject imports in this investigation. Thank you.

14 MR. ASCIENZO: Thank you both, very much.

15 (Pause.)

16 MR. ASCIENZO: Please proceed when you're
17 ready.

18 MS. LEVINSON: Thank you, very much. I'd
19 like to counter some of Ms. Cannon's comments, in
20 particular I would note that several of her comments,
21 I'm curious to see their brief because she made a lot
22 of kind of he said/she said kind of arguments that
23 aren't really supported by anything in the record or
24 anything that she even referred to in her closing
25 remarks. One of her statements is that we say that

1 price is not a factor, that it's everything but price.
2 And to be clear, we never said that. I believe Kerry
3 Wolfe was very clear in saying price is a factor when
4 you're talking about a commoditized product. There's
5 no doubt that price comes into it. But what we did
6 say is price is not the determinant. Price is not the
7 reason why customers are buying from Atlas rather than
8 buying from the Petitioners. However, to the extent
9 that they want to argue that it's all about price,
10 then we are prepared to show you how many sales we at
11 Atlas have lost because of price to one of the
12 Petitioners, who is at the table, and that mystery
13 Petitioner will be identified.

14 When I say that it's not all about price, I
15 refer back to Mr. Kedaitis's testimony, in which he
16 said that 70 percent of the product that he imports
17 from China is post-welded galvanized, a product that
18 is not offered at all. And please don't confuse that
19 -- not offered at all by the Petitioners, let me
20 finish by sentence. But, please don't confuse the
21 post-welded galvanized with galvanized. Those are two
22 different things. The Petitioners testified this
23 morning that they do galvanized, the wire. That's not
24 what we're talking about. We're talking about
25 galvanizing after the welding, okay.

1 We, also, testified that we have a number of
2 colors and Mr. Bin said that he could provide 24 or 25
3 different colors. We didn't hear anything from the
4 Petitioners about colors.

5 But, there were a number of statements this
6 morning that really troubled me and one of the most
7 troubling was a statement by Mr. Rudolph, that every
8 sale that Atlas makes is a lost sale to his company.
9 I don't understand this mentality from a business
10 manager, supposedly is out in the market to compete
11 and show that he has a better product. A statement
12 like that shows, if you'll forgive me because I don't
13 mean to pick on him, but it shows a certain arrogance
14 that the domestic industry believes they are entitled
15 to every sale and Atlas is not entitled to any sales
16 and that's not what the dumping law is about.

17 In addition, the Petitioners have tried in
18 many, many ways to exaggerate what is going on in the
19 market. One is they named 83 producers in China, a
20 vast overstatement that even you, in the short time
21 that you've been involved in this case, has been
22 forced to reckon with, because they've sent you on
23 this chase after 83 producers, who don't exist or are
24 not in this market or do not export to the United
25 States.

1 The same on the importer side, they vastly
2 overstated the importers. And it's of no surprise to
3 me that you're getting a lot of questionnaires back
4 that say we don't import. And the reason it's no
5 surprise to me is I took it upon myself to call many
6 of the importers, myself, and what I learned in that
7 process is there's about three importers that account
8 for any of the volume in the United States of wire
9 decking. It's not clear to me why the Petitioners
10 couldn't have done the same kind of homework.

11 Mr. Chamberlin testified that the driver for
12 rack sales is industrial output and we would agree
13 with that. What has happened is simple. When
14 industrial output is at its highest, sales of wire
15 decking are good and when industrial output has
16 decreased dramatically, as it has in the first quarter
17 of 2009, then the sales of wire decking naturally go
18 down. Ms. Cannon says she's heard a lot about the
19 recession and she implies she's a little tired that
20 this is -- we keep waving the recession in front of
21 the ITC. But, how can you ignore the recession? The
22 recession is affecting our daily lives and it's
23 affecting everything we do. People are out of work.
24 People are losing sales. Everybody knows about the
25 recession. To not mention the recession and to not

1 emphasize the recession would be an inaccurate
2 portrayal of what's going on in the marketplace today.

3 Finally, I wish to emphasize that Mr.
4 Kedaitis testified to the fact that Atlas created the
5 model that the Petitioners use now. They haven't been
6 as successful as Atlas in creating -- in emulating the
7 model. They've had a lot of problems with a lot of
8 warehouses that they've tried to establish around the
9 United States. Atlas has been successful and it
10 reminds me of the old adage that no good deed goes
11 unpunished, because they were successful in creating
12 this model and now they're being blamed for the
13 success that they obtained as a result of this model.

14 That concludes our remarks. Thank you, very
15 much, for your attention today.

16 MR. ASCIENZO: Thank you both, very much.
17 On behalf of the Commission and the staff, I want to
18 thank the witnesses, who came here today, as well as
19 counsel for helping us gain a better understanding of
20 this product and the conditions of competition in this
21 industry. I, also, want to take this opportunity
22 recognize Ms. Keisha Martinez, sitting up here, who is
23 a summer intern, who is helping us with this
24 investigation.

25 Before concluding, let me mention a few

1 dates to keep in mind. The deadline for the
2 submission of corrections to the transcript and for
3 briefs in the investigation is Wednesday, July 1st. If
4 briefs contain business proprietary information, a
5 public version is due on July 2nd. The Commission has
6 tentatively scheduled to vote on the investigations
7 for July 20th at 1:00 p.m. It will report its
8 determinations to the Secretary of Commerce on July
9 20th. Commissioners' opinions will be transmitted to
10 Commerce on July 27th. Thank you for coming. This
11 conference is adjourned.

12 (Whereupon, at 2:33 p.m., the preliminary
13 conference was concluded.)

14 //

15 //

16 //

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Wire Decking from China

INVESTIGATION NOS.: 701-TA-466, 731-TA-1162 (Preliminary)

HEARING DATE: June 26, 2009

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: June 26, 2009

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter